EUROPE'S BUSINESS NEWSPAPER

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CHINA
Wages of romanticism
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World News

East German opposition ministers join Government

Eight opposition ministers took their places in the E German Government in a move to help tackle the country's political and social crisis before the March 18 elections.

Meanwhile the Bonn and East Berlin Governments clashed over measures to deal with East Germany's worsening economic plight as W Germany underlined obstacles to monetary union. Pages 2, 20

Kashmir in crisis

A nationwide strike in Pakistan in solidarity with Moslem separatists in the Indian state of Jammu-Kashmir paralysed Pakistan's major cities and Indian border forces opened fire on demonstrators near the ceasefire line. Page 20

Costa Rican polls

The ruling National Liberation Party of President Oscar Arias of Costa Rica has been narrowly defeated by the opposition Social Christian Unity party in Sunday's general elections. Page 7

Neo-Nazis in Leipzig

Hundreds of skinheads fought with bystanders as they goosestepped through Leipzig shouting "Sieg Heil" and "To Hell with the Jews" while smashing windows in a regular weekly demonstration for German unity. Right disrupts Leipzig protest, Page 2

SA sanctions move

Prospect of an early review of EC sanctions against South Africa was raised when the UK forced the issue on to the agenda of the EC foreign ministers' meeting later this month. Pages 6, 9

Reagan testimony

US judge ordered former president Ronald Reagan to provide videotaped testimony for use at the trial of a former White House aide charged in the Iran-Contra scandal.

EC Turkey move

EC governments agreed to delay any negotiations with Turkey on its membership request but all bar Greece said they wanted closer relations.

Soviet explosion

Explosion at a large thermal power station in Transcaucasia caused widespread power shortages in the Soviet republic of Azerbaijan. Page 2

Botha apologises

South African Foreign Minister Pik Botha apologised to Britain over what he called a cowardly attack on the British embassy in Pretoria on Sunday.

Weapons talks

International efforts to scrap chemical weapons resume in Geneva today with most groundwork completed and agreement likely before the end of next year. Page 4

Sihanouk pledge

Resistance leader Prince Norodom Sihanouk said he would visit areas of Cambodia captured from the Vietnamese-backed government and "live there for a while."

Europe's trees dying

Half the trees in Europe's alpine forests are dying and ghost towns are being created by tourist overdevelopment, according to a campaign launched in Davos, Switzerland, to save the Alps.

UN accusation

UN condemned harassment and intimidation by both the Nicaraguan government and the opposition, but hoped elections on February 25 could proceed without any "irregularities whatsoever."

Cuban prediction

Armando Valladares, once Cuba's leading dissident and now a US ambassador, predicted Cuba's armed forces would lead the island towards democracy.

Business Summary

UK property company in £125m rights issue

BRITAIN'S commercial property market showed signs of further weakening as Godfrey Bradman, chairman of Rosehaugh, asked shareholders for £125m ($204m) to shore up the property company against slowing demand and rising interest rates.

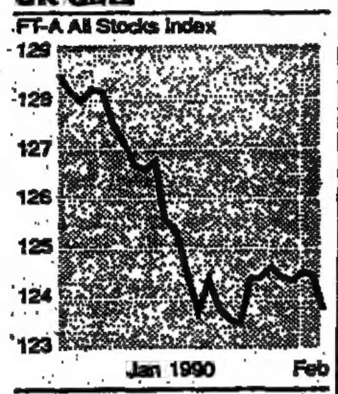
More than 20 per cent was knocked off the value of Rosehaugh with the announcement of a deeply discounted one-for-one rights issue. Page 21; Lex, Page 20

JAPANESE investment in foreign real estate is soaring and is set to top $10bn in the year to the end of March, according to forecasts based on figures from the Japanese Ministry of Finance. Page 20

UK gilts: Bond prices fell sharply from the opening as the market reacted to reports speculating that the budget surplus might be much lower than expected and the Government might resume selling gilts in the coming financial year.

UK Gilts

FT-A All Stocks Index



THE White House is taking an increasingly aggressive public stand over this year's Budget, believing that, for once, it has some leverage over the Democrat-controlled Congress. Page 7

DREXEL Burnham Lambert, US investment bank hard hit by a downturn in the high-yield bond market which it pioneered, reported a loss after taxes of about $40m for 1989 on gross revenue of $4.1bn. Page 21

WESTERN governments should establish a "convertibility fund" to help reformist east European countries make their currencies convertible as soon as possible, says a report from the Kiel Economic Research Institute. Page 3

DUMENIL unit trust group, which operated 11 trusts covering different European countries, received a winding up order from Securities and Investments Board, the UK regulatory body. Page 8

GLAXO, Britain's biggest drugs company, is to base its main effort in AIDS research on a partnership with Canadian group, IAF BioChem International. Page 8

BELL RESOURCES, Australian company, which launched five petitions to wind up four key units in Alan Bond's troubled business empire, has dropped its action against three of them after reaching out-of-court settlements over the debts they owed. Page 22

US and Japan made separate proposals for liberalising the $200bn-a-year world trade in textiles and clothing. Page 7

MARKETS: US Government bonds started the week of the Treasury's quarterly refunding on a defensive note amid concern about demand. Page 26. Tokyo bonds and bond futures fell after a slide in the yen as investors stayed uncommitted because of concern about the political situation at home and in the Soviet Union. Page 44. Johannesburg's leading industrial stocks soared to new highs as sentiment stayed bullish after President F.W. de Klerk's speech last week. Page 44, Reforms fail to impress businessmen, Page 6

DIEHARD OPPONENTS EXPECTED TO RESIST REFORM REMOVING PARTY'S MONOPOLY ON POWER

Gorbachev demands democracy

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev yesterday proposed an end to the Soviet Communist Party's monopoly on power, opening the way for a multi-party system in the Soviet Union.

The Soviet leader gave no clue to his own position but proposed that his job of General Secretary should be abolished to make way for a new post of party chairman.

Mr Gorbachev predicted that the current explosion of political debate in the country would lead "at a certain stage" to the establishment of parties.

In a historic statement to the opening session of an extraordinary meeting of the ruling Central Committee, he said that the Communist Party "intends to struggle for the status of ruling party, but will do that strictly within the framework of the democratic process, giving up any legal or political advantages.

"The Party in a society under renewal can exist and play its role as vanguard only as a democratically-recognised force. This means that its status should not be imposed through constitutional endorsement."

Mr Gorbachev's radical plans produced a predictably furious response from party conservatives, heralding open confrontation in the party ranks before the plenum concludes.

"Just what are we doing? We are looking for salvation in religious propaganda. Do we really no longer need the ideas of Marx, Engels and Lenin?" Mr Anatoly Kornienko, Communist Party chief in Kiev, demanded. Others warned of anarchy in the country, and a failure of party discipline.

Yet Mr Gorbachev retorted with a ringing denunciation of "sentiments of defeatism and liquidation.

"We may remain committed to the choice made in October, 1917, the socialist idea," he said. "But we move away from its dogmatic interpretation."

In spite of the criticism, well-informed political observers believe he has done just enough to brow-beat the conservative majority on the Central Committee into recognising the inevitability of its own demise, in the face of an upsurge of popular protest at the ruling party's power and privilege.

His words leave little room for doubt that the constitutional guarantee of the Communist Party's all-pervasive power would have to go – meaning abolition of notorious Article Six, which was the target of a huge demonstration in Moscow on Sunday.

At the same time, Mr Gorbachev proposed revamping the party rules to promote grass-roots democracy, and streamlining the ageing Central Committee itself. Another key change would expand the ruling Politburo to represent every Soviet republic.

He also called for the Party's next congress – the only body which can adopt the new platform and elect a new Central Committee – to be brought forward to late June or early July. The programme is a huge gamble for the Soviet leader for it could destroy the Party just as easily as it could restore its shattered prestige.

Mr Gorbachev himself deliberately used the mass rallies in the streets – culminating in Sunday's demonstration for democracy by as many as 200,000 people in the heart of Moscow – to warn his party faithful they must change.

The Communist Party had "to get rid of the ideological dogmatism ingrained during the past decades, of outdated stereotypes in domestic policy, and outmoded views on the world revolutionary process."

As for relations with the rest of Eastern Europe, after the effective overthrow of Communist power, he appeared to recognise even the changing nature of the Warsaw Pact. He proposed to "perfect allied relations with East European countries which really need this."

If Mr Gorbachev can force the reforms through the Central Committee, they must still be approved by the full party congress. By accelerating that event, and holding a full-scale internal election campaign within the Party beforehand, he will greatly step up the pressure on party conservatives to quit.

Already popular revolts have displaced leading figures in key regions and cities. Others have been forced to quit because of corruption scandals.

Mr Gorbachev announced that another plenum would have to be held within a month to approve new party rules – an apparent delay, because both rules and platform were supposed to have been presented this week. That suggests that the conservatives have been putting up a struggle.

"The crux of the Party's renewal is the need to get rid of everything that tied it to the authoritarian-bureaucratic system," he said. "Any delay threatens a lag and the loss of the initiative which would, in turn, inevitably affect the Party itself and the future of its revolutionary undertaking."

Moscow ties weaken, Page 2

Mikhail Gorbachev: Party must "get rid of ideological dogmatism"

Brussels to press non-EC countries over bank curbs

By Lucy Kellaway in Brussels

THE EUROPEAN Commission is to press for the removal of all banking restrictions in non-EC countries, Sir Leon Brittan, EC commissioner for the financial sector, told bankers yesterday.

In his most critical speech on the illiberal practices in non-EC countries, Sir Leon pointed the finger at the worst offenders, finding discriminatory practices in most of the world's leading banking markets from the US to Japan, Canada, Australia, South Korea, Singapore and some Nordic countries.

Although Sir Leon stopped short of issuing any direct threats, it will be within the Commission's powers when the second banking directive comes into force in 1993 to refuse banks from other countries access to European markets if European banks are being discriminated against in those third countries.

Sir Leon, addressing the Overseas Bankers Club in London, said that such discriminatory practices were legion. He singled out for special criticism rules which prohibit foreign banks setting up subsidiaries in Australia and South Korea, and which outlaw the establishment even of foreign branches in Australia and Canada.

He also complained about reciprocal agreements between certain states in the US which restricted expansion by banks with non-US-owned parents. He mentioned underwriting restrictions for foreign banks in Japan and limits on overdrafts in the US. "The list goes on," he said.

Sir Leon Brittan: determined to negotiate away barriers

Sir Leon, who has long argued that persuasion is better than force in breaking down barriers overseas, said the EC would be "vigorous in our determination to negotiate away barriers to our banks and other financial companies doing business abroad.

"While we can insist that there should be no discrimination against our banks on grounds of nationality, if we want to get our partners [in third countries] to remove barriers facing their own nationals, we can only do so by means of persuasion."

He said the EC would push for the removal of restrictive laws such as the Glass-Steagall Act in the US which separates the business of wholesale and investment banks. "We certainly intend to raise these issues and ones like them in other countries than the US," he said.

In the same speech, Sir Leon increased the pressure on the UK for full membership of the European Monetary System "sometime over the summer," saying that the conditions that the UK Government had set had now all been met.

Capital restrictions had been lifted, a single market in banking had been agreed, competition policy had advanced with the adoption of merger rules, and a harder stance had been adopted towards anti-competitive use of state aids.

The final condition – the reduction of inflation in the UK – no longer constituted an obstacle, he said. Taking full EMS membership would "provide a clear and unambiguous signal that the Government's determination to reduce inflation further is not for discussion."

Details, Page 26

Bush fails to allay fears on policy for environment

By Peter Riddell, US Editor, in Washington

US President George Bush was yesterday criticised by environmentalists for failing to take a strong and specific enough stand on global warming in a keynote speech to an international environment conference.

Addressing the opening of the Intergovernmental Panel on Climate Change, a United Nations-sponsored group of scientists and officials, Mr Bush noted the extent of scientific uncertainties over the problem and warned against adopting policies which clashed with economic growth and market mechanisms.

The President announced that the US would this spring host a White House conference on science and economic research on the environment, involving top officials from several countries.

His Administration has taken several initiatives in clean-air legislation, research and tree-planting, but does not favour expensive new programmes. at present.

Mr Bush's remarks were Continued on Page 20

Palestinian held over bus attack

By Hugh Carnegy in Jerusalem and Tony Walker in Cairo

A RADICAL Islamic group yesterday claimed responsibility for killing nine Israelis and two Egyptians in Sunday's attack on a tourist bus in Egypt, as shock in Israel over the incident interrupted moves to set up unprecedented Israeli-Palestinian peace talks.

Meanwhile Egyptian police arrested a Palestinian believed to be one of the attackers. The suspect arrived in Egypt two weeks ago with other members of the attack squad.

The Likud Party of Mr Yitzhak Shamir, Israel's Prime Minister, reacting swiftly to the attack, postponed a key meeting of its policy-making central committee on proposed negotiations with the Palestinians.

The move sharply reduced the immediate prospects for a preliminary meeting between the foreign ministers of Israel, Egypt and the US, designed to clear the way for direct talks.

Israeli and Egyptian ministers said. the killings – by masked gunmen who ambushed a tourist bus near Cairo – appeared to be aimed at sabotaging the peace moves.

Their view was borne out by the claim of responsibility from the radical Islamic Jihad group, broadcast on a radio station operated by the pro-Syrian Palestinian group, the Popular Front for the Liberation of Palestine-General Command, together with a recorded statement by one of the gunmen involved.

The statement, on Al-Quds (Jerusalem) Radio, said: "I say to the Zionists...kill one of us and we will kill 1,000."

This week was seen as a potential watershed in US-brokered efforts to bring Israelis and Palestinians together to discuss a settlement in the occupied territories.

US, Egyptian and Israeli officials had indicated that the long-anticipated meeting of foreign ministers could go ahead as early as the weekend if Mr Shamir emerged unscathed from a strong challenge to the process by Likud hardliners at the special party meeting.

But the mood of revulsion and mourning in Israel following the Cairo attack undermined already thin public confidence in Palestinian peace overtures.

Continued on Page 20
Bus bombing hallmarks, Page 6

Montedison refuses to sell 40% stake in Italian joint venture

By John Wyles in Rome

MR RAUL GARDINI'S Ferruzzi-Montedison will embark on negotiations over the future of Enimont, its chemicals joint venture with Eni, the Italian state energy group, firmly determined not to sell its 40 per cent stake in the company.

After a meeting of its board yesterday, Montedison said it was ready to discuss the future structure of Enimont with the government, "providing the interlocutors are armed with the necessary powers."

In any case, the company declared, "Montedison's participation in Enimont is not for sale." The company remained committed to the chemicals sector "according to a precise development programme which has already been identified."

Despite the clarity of this statement, it did little to dispel the confusion - more than a little politically induced - currently surrounding Enimont.

An Eni-Montedison meeting scheduled for yesterday at the Enimont shareholders' committee was postponed to allow Mr Gardini, the Montedison president, and Mr Gabriele Cagliari, his counterpart at Eni, the opportunity for a meeting over the next few days with the Mr Giulio Andreotti, the Italian Prime Minister.

If Montedison is digging in on its 40 per cent stake, it is far from clear what any negotiations can achieve.

The government's position, as outlined by the prime minister at the weekend, is that the equality of public-private shareholdings must be maintained despite the fact that Enimont shareholders' have concluded it is a recipe for deadlock.

For his part, Mr Cagliari says Eni would like to purchase control of the company, while Mr Gardini says he is not selling.

The only other avenue to majority control is through a purchase of part or all of the 20 per cent of the company which has been publicly floated. But this can only be done with the agreement of the other major shareholder.

The shareholders' assembly called for February 27 to elect two board representatives of these third party shareholdings remains an effective deadline for some sort of agreement.

The government wants the assembly to be postponed, but at this stage Mr Gardini is determined to hold Mr Cagliari to his agreement that it should take place.

Brief encounter and divorce, Page 21

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Cyprus talks seek to unite the increasingly united

Visitors might think tensions are easing between Greeks and Turks in divided Cyprus. President Vassiliou is confident of forging a reunification deal, but UN sponsored peace talks remain deadlocked. Page 3

MARKETS

STERLING
New York close: $1.7000
London: $1.695 (1.6815)
DM2.83 (2.835)
FFr9.62 (9.6425)
SFr2.5075 (2.515)
Y246.25 (244.5)
£ index 89.4 (89.2)

GOLD
New York: Comex Apr $427.5 (423.4)
London: $423.25 (417.75)

N SEA OIL (Argus)
Brent 15-day Mar $20.075 (same)

Chief price changes yesterday: Page 21

DOLLAR
New York close: DM1.6595
FFr5.6385
SFr1.4735
Y144.75
London: DM1.67 (1.686)
FFr5.675 (5.735)
SFr1.48 (1.496)
Y145.35 (same)
$ index 66.9 (67.2)
Tokyo close: Y145.6

US Lunchtime Rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills: yield: 8.07%
Long Bond: $95\frac{9}{32}$
yield: 8.53%

STOCK INDICES
FT-SE 100: 2,348.4 (-6.7)
FT Ordinary: 1,861.0 (-5.4)
FT-A All-Share: 1,172.88 (-0.2%)
New York close: DJ Ind. Av. 2,622.52 (+19.82)
S&P Comp 331.58 (+0.66)
Tokyo: Nikkei 37,631.41 (-18.74)

LONDON MONEY
3-month interbank: closing $15\frac{1}{32}$ (same)
Liffe long gilt future: Mar $86\frac{27}{32}$ (same)

EAST GERMAN GOVERNMENT

Modrow brings in eight non-Communists

By David Marsh in Bonn

EIGHT opposition ministers yesterday took their places in the East German Government in a move to help master the country's political and social crisis in the weeks before the March 18 elections.

The ministers, all Ministers without Portfolio, are led by Mr Rainer Eppelmann, a protestant churchman who was harassed for years by the previous Communist regime.

The new intake has been brought in by Mr Hans Modrow, the Prime Minister, to meet the demands of new reformist parties for direct involvement in running the country after several weeks of "round table" talks between the Government and opposition representatives.

It is hoped that introduction of one minister for each of the eight leading opposition groupings, including the Social Democratic Pary, New Forum, Democratic Awakening and the Greens, will boost confidence and stem emigration to West Germany, which reached 55,000 last month. None of the new ministers will have a formal portfolio.

The new ministers are (group or party and profession in brackets): Rainer Eppelmann (Democratic Awakening, pastor); Walter Romberg (Social Democratic Party, mathematician); Sebastian Pflugbeil (New Forum, physicist); Wolfgang Ullmann (Democracy Now, historian and legal expert); Klaus Schlueter (Green League, engineer); Mathias Platzek (Green Party, cyberneticist); Tatjana Boehm (Independent Women's Association, sociologist) and Gerd Poppe (Peace and Human Rights Initiative, physicist).

Of the 377 parliamentarians present, 288 voted for the new cabinet, 16 voted against and 73 abstained. The Volkskammer resumed its session after a telephoned bomb threat that proved to be a hoax.

Volkskammer president, Mr Guenther Maleuda, told a televised session the authorities had considered it prudent to search the chamber before allowing the meeting to continue.

There have been several bomb threats against local offices and buildings in recent weeks.

Mr Modrow (left) faces the cameras after yesterday's meeting of Parliament

Political parties in West Germany were angered yesterday when a meeting of the round table recommended that politicians from the west should not participate in East German election rallies.

The Bonn Government immediately rejected the move. Mr Dieter Vogel, a government spokesman, said that in a free election parties should be able to invite who they liked to speak at meetings.

Mr Helmut Kohl, the Chancellor, and prominent politicians from all the main West German parties, are expected to press ahead with plans to appear frequently in East Germany over the next six weeks.

Mr Kohl's Christian Democratic Union is on the point of concluding an electoral alliance with four conservative groupings in East Germany.

Plans drawn up by West Germany's far-right Republicans to participate in the elections were, however, dealt a blow when the East German parliament yesterday banned the party from operating in East Germany.

Right disrupts Leipzig protest

HUNDREDS of skinheads goosestepped through Leipzig shouting "Sieg Heil" and smashing windows during a regular weekly demonstration for German unity on Monday, Reuter reports from Leipzig.

Like Adolf Hitler's brownshirts that helped sweep the Nazis to power in the 1930s, the skinheads fought with bystanders,shouting "To Hell With The Jews" and other racist chants.

At least two people were injured after they smashed the windows of a cafe frequented by foreigners. Police had to push back about 50 trying to burst into a hospital. The 100,000-strong rally was also disrupted by a group of demonstrators who turned angrily on West German rightists trying to distribute leaflets, jostling them and smashing their banners.

"You should all be burnt, you brown pigs!" one East German woman shouted at the West Germans, members of the far-right Republican Party.

Others ripped banners out of the Republicans' hands, trampled on them and chanted:"Nazis out!"

It was the most violent outbreak of right-wing activity yet at the Leipzig demonstrations, dynamo of East Germany's peaceful revolution last autumn. Republican Party members have made regular appearances at the demonstrations, but aside from raising tempers they have not provoked serious unrest.

Many East Germans are concerned their tattered economy will cause inflation, unemployment and homelessness and they fear this will lead to a rise in the radical right.

A government minister told round table talks between government and opposition on Monday that industrial production was at 1985 levels and warned that if a daily exodus of 2,000 East Germans to the West did not slow down, the country risked falling apart.

Many of them were also angry at the Protestant church, the vanguard of the country's reform movement, for sheltering disgraced former leader Erich Honecker.

Some protesters in Leipzig's huge Karl Marx main square waved banners reading: "Asylum for Communist criminals – we Christians should be ashamed".

The 77-year-old Stalinist leader, recovering from cancer surgery in a church rest home north of Berlin, will face treason charges in March.

EC fails to reach accord over Japanese car makers

By Lucy Kellaway in Brussels

EUROPEAN foreign ministers yesterday failed to settle their differences over access to the European market for Japanese cars once national restrictions are lifted in 1992.

The liberal member states, which include the UK, Germany Holland and Demark, argued for a transitional period that should be as short as possible.

The other camp, including France, Spain Italy and Portugal, reiterated demands for a transitional period of ten years or more.

Mrs Edith Cresson, the French minister for European Affairs, suggested that cars should be monitored on entry to the community, whereas other member states were opposed to any system that involved introducing a new restriction that is not already in place.

Ministers will discuss the matter again next month, when it is hoped that an agreement will be reached both on the length of the period and on the type of monitoring arrangement.

Mr Frans Andreissen, EC Commissioner for external affairs, spoke of a loose arrangement in which the overall Japanese share of the European market would increase over an as yet unspecified period.

Access into the presently restricted markets would increase at a faster rate, he said.

Daimler chief urges investment in E Europe

By William Dullforce in Davos

WESTERN COMPANIES have been urged by Mr Edzard Reuter, chairman of Daimler-Benz, the West German motor and aerospace group, to extend their activities to Eastern Europe and the Soviet Union as soon as possible.

It was wrong to wait to see whether the course pursued by President Mikhail Gorbachev would finally reach firm ground. There was every prospect of a European boom equal to the dynamic economic development of West Germany in the 1950s, he said.

He was speaking at the World Economic Forum, the businessmen's annual summit in the Swiss mountain resort of Davos, the day after East European leaders, including President Wojciech Jaruzelski of Poland and Mr Marian Calfa, Czechoslovakia's Prime Minister, had appealed here for Western private investment, to help their countries negotiate the switch to market economies.

Money would be available to those countries for true entrepreneurial operations, although not channelled through state organisations, Mr Reuter said. Doing business in Eastern Europe required "special know-how and stamina." Companies should not think in terms of short-term profit, although those who moved in now could gain strategic advantages.

Mr Rand Araskog, chairman of ITT, the diversified US telecommunications and services group, was more cautious. US companies would lean over backwards to support the changes in the Soviet Union and Eastern Europe, he said, and would accept lower returns than they were used to in the US. But the rationale for investment had to be sound.

Currency convertibility was a key issue, Mr Araskog said. Cash flow from investments had to "come out in some definable time."

Ireland firm on EC links with E bloc

By William Dawkins in Paris

IRELAND, current president of the European Community, yesterday ruled out any prospect of East European countries becoming full members of the EC in the near future.

Mr Charles Haughey, the Irish Prime Minister, said they should instead be offered individual special links, a strategy which had the full support of the French Government. He was speaking after a working lunch with President François Mitterrand of France, previous holder of the six-monthly EC presidency.

"Each of these six states should develop its own relationships independently with the EC and that should be a permanent arrangement," said Mr Haughey.

Each association agreement should be tailored to suit the individual Eastern European country's state of development. "They would all contain certain elements in common, but would need tailoring to suit each individual," he said.

The Irish supported efforts towards German reunification, following the broad agreement reached between Washington and Bonn over the weekend for a timetable for talks. However, he said that this should be achieved within a strict framework that would sort out the complex issues involved, including the eagerness of Western European countries to avoid German neutrality.

Ireland would also use its presidency to give a push to Mr Mitterrand's ideas for a confederation, embracing both Eastern and Western Europe. The idea would be to strengthen the EC's existing institutions to "cater for the state of confusion which exists in Europe at the present," said Mr Haughey.

The region was "in a state of flux, and the only focus of stability is the European Community," he said.

East Europe's ties with Moscow begin to weaken

By John Lloyd in Moscow

THE Soviet Union and its allies in Eastern Europe, which only months ago were ritually declaring themselves bound by unbreakable ties of socialist unity, are developing formal, even cool relationships. Both sides are straining away from each other – a process restrained much more by practical difficulties of disentangling military, economic and ideological ties and by geographical proximity than by friendship.

The new leaderships of Czechoslovakia, Hungary and Poland, all facing democratic elections soon, are finding a firmly independent attitude towards the Soviet Union plays well in the polls. Two of them – the Czechoslovaks and the Hungarians – want agreement in principle on Soviet troop withdrawals before their elections in June and March respectively.

At the same time, they see the Soviet Union as dangerously ill and capable of infecting their economies, which remain heavily dependent on its market. Few among their political elites give President Mikhail Gorbachev much chance of success in carrying through his economic reforms.

Talks on arms cuts, under way between the Soviet Union on the one hand and Czechoslovakia and Hungary on the other, are going well. Mr Ivan Aboimov, the Deputy Foreign Minister leading the Soviet side, agreed on Friday with Mr Ferenc Somogyi, his Hungarian opposite number, that the 65,000 troops stationed there since the Soviet invasion in 1956 should leave in "the shortest possible time".

A second round of talks begins with the Czechoslovaks this week. Mr Zdenek Cerny, the leading Foreign Ministry official at the negotiations, says "we believe we will get an agreement in principle this time" for the removal of the 70,000 men.

In neither case has Mr Aboimov raised strategic objections. The Soviet side has asked for time only to settle the families of the officers back in the Soviet Union. Says Mr Cerny: "Certainly, we're not insisting they leave as quickly as they came [in 1968]; we don't want them to suffer, but really,the logistics are their problem."

Poland, with some 40,000 Soviet soldiers, is a different case. Says Dr Artur Hajnicz, foreign affairs adviser to Mr Tadeusz Mazowiecki, the Prime Minister: "They are mostly in logistic and communications support to the bases in East Germany. As long as these bases remain, they remain. To be honest,the greater problem for us is to bring the Polish army fully under democratic control."

Economic interdependence is proving much more difficult for the East European countries to shake. The decision, proposed by the Soviet Union at the Comecon congress in Sofia last month, to change the basis of payment within the organisation to hard currency from next year will hit the non-Soviet members hard, and it will be the more bitter because their new governments are committed to free market institutions but can't afford to implement them yet in trade with their neighbour.

The Soviets, by contrast, will benefit because their energy and raw material supplies will rise from the subsidised rate at which they are currently supplied to Comecon members to find world market prices. At a meeting last Thursday of the Supreme Soviet's committee for international affairs, the gathering heard that "using world prices to settle accounts with Czechoslovakia, for instance, would enable the Soviet side to spend Rbs10bn less on the import of equipment and to receive much larger sums for oil and gas".

The effect on those countries struggling to create a market system will be severe. Hungary reckons it will run an annual \$1.8bn (£1.07bn) deficit with the Soviet Union, compared with a present Rbs2bn (£2bn) surplus. In Prague, Mr Cerny says, "We want understanding from the Soviet side that this kind of change will take some time. The restructuring of the economy in the way we wish to do it may take as long as seven years."

In Poland, Mr Mazowiecki has warned that a radical restructuring of Comecon is essential to Poland's continued membership; but already the closure of plants dedicated largely or wholly to the Soviet market has begun.

Says Dr Boguslaw Kaczynski, head of the Polish Foreign Ministry's East European department, shaking his head with the "I told you so" wisdom of the bureaucrat: "When in opposition the leading members of the Government called for dollar trading in Comecon. Now they understand the hardships."

The next round of Comecon talks begins in Moscow in about a week. The Soviets hold the whip hand, and their own desperate economic problems will make them reluctant to concede anything to the East Europeans – especially to those governments with whom they now have less and less in common ideologically. Indeed, the shift away from party-to-party relations towards state-to-state relations on which the East Europeans have insisted has left the Soviet side with a hole where their accustomed levers of pressure, persuasion and assistance used to be. Says Dr Hajnicz: "They say they understand it, but they are not used to it."

Besides the exhilaration of finding a new place in the world – "leaving the east bank for the west bank", as Dr Hajnicz puts it – is a fear that they may drift. In Poland, especially, there is growing alarm that Hungary and Czechoslovakia will attract the lion's share of Western investment.

"So far we have had many delegations, conferences and speeches," says Dr Kaczynski. "But we must have investment, or we will have a catastrophe. Kowalski [the Polish man in the street] now wants results, and more on his table."

A former Czechoslovak dissident, soon to be named as a senior ambassador of his country, says: "This transition between being part of the East bloc and being part of a new European order is critical and dangerous for all of us. In our case, we have no parties with deep roots and organisation. We will have great problems with political stability."

All are pessimistic about the Soviet Union, though in varying degrees. Says a Hungarian official: "I'm not confident they will make it."

In Warsaw, Dr Hajnicz predicts a hardening in the East: "Gorbachev will have to aim at stabilisation to keep from destroying the economy. This will be a setback, and Communist rule there will be shaky. Of course we had a situation in Poland where communist rule was shaky for decades – and it meant a continuous decline."

Price rise strikes to be discussed

The Soviet Government will meet tomorrow to discuss the threat by unions in several vital industries to strike over recently imposed fuel and transport price rises, Mark Nicholson writes from Moscow.

Although the Government has still to reply to an official union protest at the rises, the matter will top the agenda at tomorrow's presidium (policy committee) of the Council of Ministers.

However, the Communist Party newspaper Pravda yesterday quoted Mr Valentin Pavlov, the Finance Minister, as saying that while enterprises worst hit by the rises could receive compensation on a case-by-case basis, the Government would not annul the decree authorising the increases.

Mr Pavlov stressed that the rises were necessary to force energy efficiency. He also said that they would actually improve the funds available to workers in the transport industry, where the centrally-fixed pricing structure had fallen behind.

EFA opponents float idea of modernising Tornado

By David Goodhart in Bonn

WEST GERMAN opponents of the £22bn European Fighter Aircraft (EFA) have floated the idea of modernising the air defence version of the Tornado as a cheaper alternative.

They argue that some form of defensive aircraft will be needed but that the EFA is unnecessarily sophisticated. It is claimed many electronic parts and the engine being developed for the EFA could be adapted for the new Tornado.

EFA's supporters in the UK and West German defence ministries say a modernised Tornado would not meet current military requirements nor be cheaper. A West German air force study is said to have proved the EFA would be cheaper than buying US-built F-18 fighters off the shelf.

MBB, one of the companies developing the EFA, claims an EFA will cost about 80 per cent of the price of a Tornado strike aircraft. Doubts about German participation in the EFA production stage have grown following the Free Democrats' switch to the opposition camp. Talks are likely in Bonn today.

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Cyprus talks seek to unite the increasingly united

A mood of pragmatism evident in daily crossings of the Green Line is not yet evident at the top, writes **Kerin Hope** in Athens

AT THE Ledra Palace checkpoint, a blue UN sentry box stands empty and the barbed wire roadblocks are pushed to one side. Further on, the sultry Turkish woman in charge of admission to the self-proclaimed Turkish Republic of Northern Cyprus waves through a group of elderly British tourists.

A visitor might be tempted to think that tensions are easing between the Greek and Turkish Cypriot communities, kept apart since 1974 when a Greek-led coup against the late President Makarios triggered the invasion of northern Cyprus by Turkish troops.

In recent months, intercommunal contacts have proliferated, with politicians, doctors and Second World War veterans meeting in the UN-controlled buffer zone of the Green Line or on the Greek Cypriot side of Nicosia. As a result, Turkish Cypriot doctors have sent patients across the Green Line for specialist treatment at Nicosia General Hospital, while Greek Cypriot officials are making regular payments to 3,000 pensioners in the north.

At the same time, several thousand Turkish Cypriots cross into the south daily to work on construction sites hit by a shortage of Greek Cypriot labour. But the mood of reconciliation – or pragmatism – is noticeably absent when it comes to talks between the two communities' leaders on reuniting the island. UN secretary general Mr Xavier Perez de Cuellar, is making his fourth attempt to solve one of diplomacy's most frustrating problems.

President George Vassiliou, the Greek Cypriot leader, it cannot be doubted, holds the moral high ground. A millionaire businessman who was elected two years ago with support from the island's influential Communist Party, Akel, he still has the confident air of a man convinced the deal will eventually go through.

"We're living in an era of rapprochement, of solution to problems. We hope that Cyprus won't be the only exception to this rule," he said in an interview. He has accepted the UN secretary general's "food for thought" proposals, the result of a year's regular meetings with the Turkish Cypriot leader, Mr Rauf Denktash, which halted last summer when a group of Greek Cypriot women staged a demonstration in the buffer zone and were carried off by Turkish Cypriot riot police.

"We're ready to meet at any time to discuss the ideas that have emerged with the purpose of preparing a draft agreement," Mr Vassiliou said. The UN secretary general wants to hold two weeks of intensive Camp David-style talks in New York later this month to try to reach an agreement. Mr Denktash, who faces both legislative and "presidential" elections in the next few months, has not made clear if he will attend the talks.

The "food for thought" proposals call for Cyprus to be reunited as a bi-zonal federation where Greek and Turkish Cypriots could move, work and settle freely in each other's zone. In the federal government, the president and foreign minister would at first come from different communities. Most of the 30,000 Turkish troops in the north would go home and compensation would be paid to islanders who decided not to return to their pre-1974 homes. Some 200,000 Greek Cypriots, one-third of the island's population, fled to the south during the invasion. About 40,000 Turkish Cypriots moved north.

Mr Denktash's achievement has been to give the Turkish Cypriots, outnumbered five to one, a sense of security and, lately, a measure of prosperity in his self-styled republic, declared in 1983 and recognised only by Turkey.

But re-unification would sharply reduce his personal authority. As a Greek Cypriot politician put it: "Mr Denktash would rather be president of a pygmy state than vice-president of a real republic."

Although Turkish Cypriots complain about the presence of settlers from Anatolia – 15,000 of them officially, but probably 45,000 in reality – they are contributing to what looks like a boom in the north. The economy is still dependent on Turkey, but increasing tourism and agricultural exports, together with a construction boom, contributed to growth of 7 per cent last year, according to Turkish Cypriot officials.

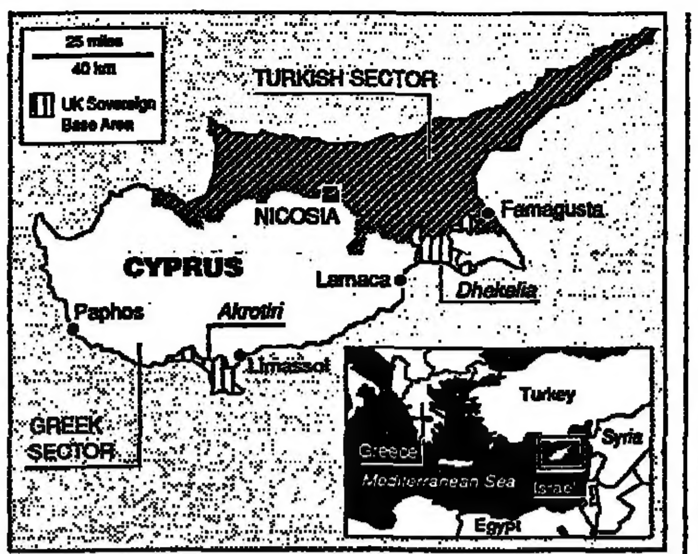
Yet per capita income is only one-third that of the south, where shipping and other offshore business are adding to already substantial earnings from tourism and manufacturing. President Vassiliou has now persuaded the communists to accept the introduction of value added tax in 1991 as Cypriot legislation is brought into line with the European Community, in preparation for hoped-for eventual membership.

Turkish Cypriot fears are not so much of a return to the days of Greek Cypriot bullying and intermittent violence that followed independence from Britain in 1960 as of becoming second-class citizens in an economic sense.

"If Cyprus were re-united, who will get the package tours and the BMW agency? Who would be the international lawyers and accountants? Not the Turkish Cypriots," said one official.

The conventional wisdom is that only pressure from Turkey can make Mr Denktash agree to resume substantive talks, which in turn means pressure on Ankara from Washington. The Greek Cypriots are encouraged by US President George Bush's recent avowal to Congress that the status quo in Cyprus was not acceptable.

They have also scored a diplomatic coup by getting the Cyprus problem on to the agenda of the next US-Soviet foreign ministers' meeting. "Mr Shevardnadze says he will bring up Cyprus . . . the superpowers have an interest in seeing regional problems being solved because they can extend to cause world problems," Mr Vassiliou said.



Banker Baffi pens posthumous chapter for 'Kafkaesque' tale

By **John Wyles** in Rome

"I DID not sleep at all last night for the sense of injustice. Is this how it all has to end after 43 years of dedicated work and sacrifice of all pleasure, affection and interests?"

Mr Paolo Baffi, who died last August, wrote this cry of anguish in his diary at the end of March 1979 when he was both one of the most respected central bank governors in Western Europe and under formal judicial investigation for personal speculation.

Between January 1978 and June 1979, he and the Bank of Italy's deputy director general, Mr Mario Sarcinelli, were victims of a pitiless campaign of legal harassment. This included long periods of interrogation by magistrates of dubious independence, withdrawal of passports and even Mr Sarcinelli's imprisonment for a fortnight – Governor Baffi was spared incarceration on the grounds of his age, then 68.

His account of that extraordinary period was published yesterday by the Italian news magazine Panorama. Highly factual, but revealing the Governor's disbelief at what was happening to him – "Kafkaesque", he wrote – the diary was entrusted in 1983 for posthumous publication to Mr Massimo Riva, then an economic journalist and now an independent left-wing Senator.

It was not until June 1981 that both men were formally cleared of any wrongdoing, by which time Governor Baffi had long since resigned (in mid-1979), while Mr Sarcinelli, who is now director-general of the Italian Treasury, had stood down from his responsibilities as chief of the central bank's control and supervision department.

A desire to muzzle that department's activities was clearly one of the motives for the attack on the Bank's leadership, while another aimed at muddying its status as one of the most efficient and honest institutions of the Italian state.

It had been responsible for forcing the Mafia's banker, Michele Sindona, into bankruptcy and was investigating the activities of Roberto Calvi's Banco Ambrosiano.

This latter was at the centre of the P2 Freemasons' chapter, which grouped more than 900 people from the worlds of the secret services, journalism, politics, business and the law in an apparent conspiracy to subvert and ultimately control the Italian state.

In a letter to Mr Riva in March 1983, Governor Baffi said he had no doubt that he had been struck down by an alliance between politicians, businessmen (who had been corruptly expoiting public banks) and magistrates.

Asked yesterday if these links remained important in Italy, Senator Riva told the Financial Times that "nothing much has changed."

Mr Giulio Andreotti, the present Prime Minister, was head of Government throughout virtually all of Governor Baffi's travails and was less than energetic in defending the central bank; some of his supporters were clearly pressuring the Bank on behalf of special interests.

Mr Riva referred, as many others are doing, to Mr Silvio Berlusconi's current takeover of Mondadori, Italy's largest publishers, as a politically motivated event with clear parallels a decade ago.

Mr Riva doubted some alarmist reports that P2 is being refounded. "Nevertheless, I am concerned about the return of former P2 members to positions of importance and we have asked the Government to provide full details of their employment in public institutions," he added.

West advised to set up 'convertibility fund'

WESTERN governments should establish a "convertibility fund" to help reformist eastern European countries make their currencies convertible as quickly as possible, according to a report from the Kiel Economic Research Institute.

In a study of steps needed to restructure east bloc economies emerging from Communist rule, the report calls for a mixture of short-term emergency aid and measures to improve the infrastructure for foreign capital investment.

The analysis comes out comprehensively against any form of Marshall Aid for eastern Europe, saying that a large inflow of public funds from abroad could retard rather than promote economic reforms.

The Marshall Plan after the Second World War provided far less economic impetus than popularly thought for post-war Europe, the report says.

The convertibility fund could be made available to central banks in the form of loans or grants linked to declaration of currency convertibility. The emerging east bloc economies should commit themselves to a floating exchange rate system to avoid using up all their foreign exchange reserves in defending a fixed rate, the Kiel authors say.

East European countries' debt service obligations should be limited to those which existed under the old exchange rates, so that devaluations following from currency convertibility would not increase the debt burden.

Among other necessary measures, the authors suggest that priority be given to improving public finances, establishing a proper banking system and establishing a stock market. Foreign debt could be further reduced through step-by-step rescheduling and debt swaps.

The report tries to clear up misconceptions about the role of the Marshall Plan launched in 1947. The main recipients of Marshall Plan aid in absolute terms were Britain and France – two countries which subsequently faced recurrent balance of payments crises during the 1950s.

West Germany's allocations amounted to \$1.32bn, against \$2.86bn for France, \$2.69bn for Britain, \$1.25bn for Italy, and \$980m for The Netherlands.

The growth in West German exports which took place after 1947 was due above all to the political decision of the Western allies to let West Germany rebuild itself, the Kiel report says. Additional factors were abolition of central planning, the June 1948 currency reform and progressive relaxation of restrictions on the country's foreign trade.

Dollars from the Marshall Plan served mainly to finance imports of agricultural products (food, feed, fertilisers), making up 32.1 per cent of all shipments under the European Recovery Programme. Only 14.3 per cent of the total went on genuine investment goods such as machinery and vehicles, and in the case of West Germany the share of such products was only 3.3 per cent.

● *A Marshall Plan for Middle and Eastern Europe? Working Paper No. 403 from Kiel Institute of World Economics, Düsternbrooker Weg 120, D-2300 Kiel.*

French treasures ravaged by violent weekend storm

SOME of France's finest architectural treasures, including Louis XIV's pleasure ground at Versailles and the medieval cathedral of Chartres, were ravaged in a violent storm over the weekend that killed 23 people, Reuters reports from Paris.

Cultural officials said yesterday that statues lay smashed alongside uprooted giant oaks in Versailles grounds in the aftermath of Saturday's storm in which winds of up to 150 kph raged across France's north-western tip.

Falling trees destroyed a stone bridge and damaged one of the thatch-roofed cottages built for Queen Marie-Antoinette's cows and goats.

About 600 trees, some of them two centuries old, were uprooted and slabs of zinc and lead weighing more than 300 kgs were blown off the roof of the Grand Trianon palace.

Cathedrals, castles and chapels from Brittany in the west to Champagne in the east reported extensive damage in France's worst storm for 20 years.

Gaping holes could be seen between the spires of Chartres' 13th century cathedral and curator Laurent Heulot said its roof had shifted in the wind.

Heavy damage was reported at three other Gothic cathedrals.

Culture ministry officials said they could put no price on the damage. But insurance sources estimated total damage at more than FFr3bn (\$500m) and said they expected more than half a million people to seek compensation.

Paris was the hardest hit. The tip of the Eiffel Tower swayed in gusts measuring up to 187 kmh.

Thirteen people died in the city and its suburbs, air and rail traffic ground to a halt and a Pan Am airlines jet was forced to make an emergency stop on a runway when winds tore a six-foot hole in one of its wings.

Sheets of tin, boarding and paper swirled through the streets and one woman was killed when she was hit by a metal rod. Others were killed by falling trees.

Chemical weapons talks resume

INTERNATIONAL efforts to scrap chemical weapons resume in Geneva today with most of the groundwork completed and agreement likely to be reached before the end of next year, Reuters reports from Geneva.

"All delegations agree that a treaty can be signed within the next two years," Mr Pierre Morel, the French Ambassador and outgoing chairman of the United Nations Disarmament Conference, said ahead of a new, three-month session.

Negotiators from 40 nations have been holding two sessions a year for the past decade to achieve a comprehensive, global ban on chemical weapons.

Diplomats say the problems they face are greater than in other arms control areas because many countries now have access to the technology for producing such weapons.

They are seeking to ban the manufacture and stockpiling of chemical weapons, the use of which is already forbidden by a 1925 Geneva protocol.

Poison gas caused 1.3m casualties in the First World War, including almost 100,000 deaths. It was used by Italy against Abyssinia in 1935 and by Japan against China in 1938.

The full horror of chemical warfare came to light more recently in the Iran-Iraq war which ended in 1988.

It prompted senior officials from 149 governments, meeting in Paris a year ago, to pledge renewed efforts towards enforcing a ban.

"It became obvious that a major push was necessary to avoid chemical weapons becoming part of the poor man's nuclear arsenal," one European delegate said.

The main difficulties are effective verification, providing security for all parties while stockpiles are being destroyed, and ensuring that all countries abide by the ban.

Diplomats also have to find ways of monitoring *civilian* chemical industries to make sure they are not producing chemical weapons.

The negotiations made significant headway in 1987 when the Soviet Union agreed to a United States demand that each country should agree to intrusive challenge inspections.

An ad hoc committee on chemical weapons has been meeting in Geneva since January 16 to work out details of such inspections.

"We have made significant progress on this but I can't say that we have reached a formal agreement," Morel said.

Diplomats have to reconcile these on-site inspections with *the protection of chemical* industries which are concerned that they might lose trade secrets.

EC delays talks on Turkish membership

EUROPEAN Community governments agreed yesterday to delay any negotiations with Turkey on its EC membership request but all states except Greece said they wanted closer relations, Reuter reports from Brussels.

Community foreign ministers resolved to ask the European Commission to make con*crete proposals soon for closer* political and economic links between Turkey and the 12-nation bloc, a spokesman said.

But Greece recalled its oppo*sition to better relations* until Turkish troops are withdrawn from Cyprus.

Athens could continue to block further EC financial help *for* Turkey until its concerns are met. It is already holding up some $600m of EC funds earmarked for Turkey under an existing agreement.

A Greek *spokesman said* several delegations had stressed the importance of full respect for human rights in Turkey and the restoration of democratic government *following* the 1980 military takeover.

The European Commission, which has to give its opinion on all membership requests, recommended last December that no negotiations should begin until after the single market was set up in 1992.

Slobo the Serb 'dividing' the nation in Kosovo

By Judy Dempsey, recently in Belgrade

HIS SUPPORTERS call him "Slobo", the undisputed voice of the Serbs. His opponents call him a demagogue who refuses *to accept responsibility* for his policies in the southern province of Kosovo, even though they have led Yugoslavia to the brink of civil war.

These polarised views stem from the way in which Mr Slobodan Milosevic has ruled Serbia since seizing power in October 1987. At the time, he ousted his opponents from the Belgrade Communist Party organisation. Two years later, as part of the spirit of democracy sweeping Yugoslavia, he arranged to hold "multi-candidate" elections in Serbia months ahead of schedule. All his supporters won, thus ensuring that the Serbian party and government would not have to face the electorate for another few years.

But beyond election rigging, what has aroused the greatest emotions and divisions throughout Yugoslavia is Serbia's relations with Kosovo.

After Mr Milosevic whipped up Serbian nationalism in order to push through constitutional amendments to the Serbian constitution, the republic regained control over the province of Kosovo.

Mr Milosevic believed that this would end the alleged discrimination by the ethnic Albanian majority against the small Serb and Montenegrin minorities in the *province*. But his critics are less than convinced by such heavy-handed policies.

While preaching the language of party pluralism and democracy, the pro-Milosevic media, his critics point out, does not allow ethnic Albanians the right to free elections, let alone any opportu*nity to explain their viewpoint*.

Those republics who have given the ethnic Albanians a voice in their own media are attacked by Belgrade for sup*porting "Albanian separatists"* and "nationalists". The Slovenes are paying a high price for such support. At Mr Milosevic's instigation, Serbia last November imposed a boycott on all Slovene goods.

At issue is not only the future status of Kosovo, which the federal state authorities believe can be resolved through political institutions, but also the longer term goals of Mr Milosevic.

More liberal-minded Serbs now think he will angle for the State Presidency.

However, although he has support among Serbs outside Belgrade, he faces growing opposition from intellectuals in the capital.

At *the weekend, a group of* academics refounded the Democratic Party, one of the largest in the inter-war period. Its leader, Mr Votislav Kostunica, *spoke his mind about Mr Milo*sevic in Borba, the party daily.

"We have many reasons not to be satisfied with the election law, the press, associations. . . we see the role and activities of Milosevic. . . for us, he is the most prominent personality of a party we are opposed to and is not at all the 'unquestioned Serbian leader', or President of a 'renewed Serbian state' as he is often called."

Vjesnik, the daily paper from Croatia, went further. "The person who should now be blamed without hesitation (for the Kosovo crisis) is Slobodan Milosevic," it wrote.

"Since 1987 when he was made head of the Serbian party, he conducts everything in that republic. Serbia. . . is the subject of a demagogic and populist campaign under the direction and supervision of Slobodan Milosevic. The bill for the catastrophe into which Yugoslavia is being pushed should be sent to him."

Such criticisms are grist to the Serbian nationalist mill. But as one Serbian journalist commented: "We are isolated in Yugoslavia. Our support in the other republics is based on fear of Milosevic. He can sack people. But we see the way the tide is turning. Nationalism and demagogy are no solutions for Yugoslavia.

"We have to learn democracy through the ballot box, not on the nationalist platform. Democracy would mean the end of Milosevic".

Romania's King Michael waits for his country's call

Tim Burt talks to the exiled monarch who considers he never abdicated from the throne in Bucharest

FOR the first time in more than 40 years, peasants in villages such as Sisesti have been able to pin dog-eared and discoloured photographs of a young man in military uniform on their walls.

Pictures of King Michael were kept hidden in many Romanian homes during the Communist regime of Nicolae Ceausescu, which came to a bloody end in December.

The king's name has been put forward by political parties as the legitimate head of state.

The 68-year-old former king, who has not visited his homeland since his forced abdication in 1948, is planning to return as constitutional monarch if a newly-elected democratic government requests it.

"As the political parties emerge there are calls for the restoration of the monarchy," *he told the Financial Times* in a recent interview. "The National Liberal Party has included this in their manifesto; the Peasants Party (*which held power before* the Second World War) are sending emissaries to discuss my possible return."

Restoration of the monarchy *in Romania would allow the* exiled king, who lives in Switzerland, to take the throne for the third time. He ruled briefly as a child in the 1920s and *again from 1940 to 1947, when* he was forced by the communist government to abdicate.

His return to Bucharest would see the re-accession of the only living head of state from the second world war – a man who met Hitler and whose army fought alongside the Germans until 1944 when the monarchy and army overthrew the puppet government and sided with the allies.

His struggle against German occupation won him allied acclaim - the king was decorated by Stalin and Truman - and the devotion of many Romanians. Grafitti in Romanian towns urges "Come back, Michael" and "We want bread and Michael".

He is keen to return now "the long nightmare is over.

In his slow and slightly accented English, he adds: "We have been terribly saddened that the revolution should have resulted in such bloodshed, but it just shows the Romanians have and will give their life for freedom."

A poll in Bucharest for the Paris Match magazine in January indicated, however, that most Romanians - 78 per cent - opposed the return of ex-king Michael.

The royal family does not believe the poll of 817 people in Bucharest reflects nationwide feeling. Princess Margarita, The king's eldest daughter visited Romania last month for the *first time*.

"The possibility of a restoration was not the objective of the trip. It was a fact-finding tour," she said.

In his comfortable villa in Versoix, above Lake Geneva, King Michael has no illusions about the hardship and insecurity of life in Romania since he left. Ceausescu's securitate pursued him in exile and delivered regular death threats to him and his family.

He was considerably safer and prosperous in the west than if he had remained behind. He escaped Romania with a reported pension of $50,000 and SFr400,000 ($261,000).

An experienced pilot, he could in theory fly himself back to Romania. At one time, he was a test pilot for aircraft manufacturer Wiliam Lear, before founding his own electronics factory and trying his hand at stockbroking to support his family of five daughters.

He knows most Romanians only dream of such a life. Under Ceausescu, Romanians "have been trampled on in the most inhuman ways until they could hardly consider their very soul as their own."

The king is, however, opposed to the provisional gov*ernment of the National Salva*tion Front led by Ion Iliescu, which he says is "compromised" by its association with the Ceausescu years.

He has called for injections of aid from western governments and long-term economic agreements such as the January 11 foreign trade protocol signed with Hungary.

"In the long-term foreign trade and investment will be crucial, but not the type of trade we have seen in the past decades where any surplus was exported at the expense of the Romanian people.

"I have no doubt we will be seeing moves away from the centrally planned economy to a more open market economy. This will give Western companies opportunity to invest in Romania to mutual benefit."

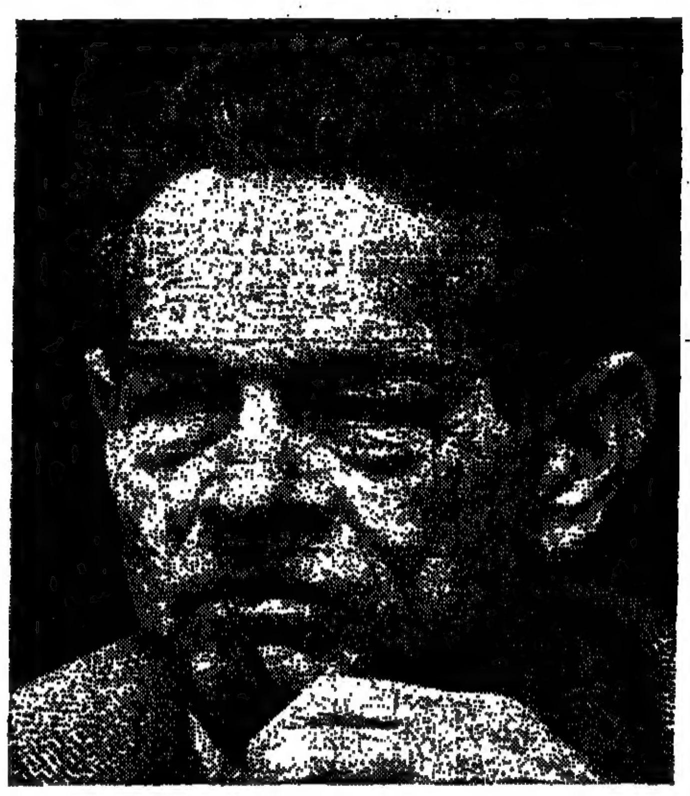
He has no immediate plans to return to Bucharest and believes the deadline for free elections in May is too soon to allow parties to organise and mount an effective campaign.

Other East European titleholders such as Crown Prince Alexander of Yugoslavia and King Simeon of Bulgaria also have hopes of returning home.

Of the royals living in exile from Paris to Madrid, only King Michael has ruled in his own country.

Simeon of Bulgaria was six when exiled in 1946; Crown Prince Alexander has never set foot in his country; and Arch*duke Otto von Habsburg has* renounced claims to the thrones of Austria and Hungary.

Unlike some of the younger *claimants to East European* crowns, the head of Romania's Hohenzollern royal family, who remembers vividly surrendering power to the commu*nists. "On December 30, 1947,* an abdication document was put before me to sign with the threat of widespread bloodshed. "I consider an abdication *document signed under threat* null and void. I consider myself the head of state of Romania."



Former King Michael of Romania: calls for a return to monarchy

OVERSEAS NEWS

Early review of EC sanctions on S Africa likely

By Tim Dickson in Brussels

THE prospect of an early review of European Community sanctions against South Africa was raised yesterday when Britain successfully forced the issue on to the agenda of the next EC Foreign Ministers' meeting in Dublin later this month.

In a statement published near the end of their meeting in Brussels last night, the ministers formally welcomed the reforms announced by South African President F.W. de Klerk on Friday, looked forward to their implementation "in the very near future" and indicated their expectation of "further measures leading to the complete abolition of apartheid".

They added: "To the degree that dialogue is instituted in South Africa, the Twelve will be prepared to reconsider their position in accordance with the declaration made by the Heads of Government in Strasbourg on 9 December", when there is clear evidence of "profound and irreversible" change.

Several EC diplomats suggested last night that the Dublin meeting on February 20 could be the stage for a clash over sanctions between Britain and its EC partners. The differences yesterday were well concealed but it appeared that most other member states – including Ireland, which holds the presidency – were anxious to react cautiously to last week's developments in Pretoria.

Mr Douglas Hurd, British Foreign Secretary, who raised the matter over lunch, said yesterday's outcome was "highly satisfactory". He expressed the "informed hope" that Mr Nelson Mandela, the ANC leader, would be released from jail by the next EC meeting, by which point "we will be in a position to see whether some of the EC measures in place are still justified".

He added that the pace of development in South Africa was now such that the ban on new investment should be reconsidered. Asked whether Britain would act unilaterally, he replied: "We haven't come to that point yet".

In other developments yesterday, the ministers gave a "broad measure of support" to the European Commission's previously published opinion that the time is not ripe for Turkish membership of the EC. The Twelve also supported the Brussels' approach to developing trade and co-operation agreements with the emerging democracies of Eastern Europe.

Jesse Jackson meets Mrs Thatcher, Page 10

Businessmen welcome de Klerk initiative

By Patti Waldmeir in Cape Town

MR GAVIN RELLY, chairman of Anglo American Corporation, South Africa's largest mining house, says he feels more confident about his country's prospects today than at any time for the past 40 years.

He is not alone in his optimism. For the political reforms announced last Friday by Mr F.W. de Klerk, the South African President, could scarcely have been welcomed more warmly by South Africa's business community, which has described the reforms as anything from bold and courageous to overwhelming.

"We all know it's a risky business," says Mr Relly, acknowledging that the task of negotiating a political settlement to South Africa's problems has only just begun. "But we've had a bumpy ride in a bad cause for a long time. Now we're going to have a bumpy ride in a good cause."

Mr de Klerk's reforms – which included legalisation of the African National Congress and other anti-apartheid organisations, and release of some political prisoners – have had a positive impact on local business confidence, according to Mr Raymond Parsons, director-general of the largest employers' organisation, the South African Chamber of Business.

He predicts considerable "economic fall-out" from last Friday's speech, which should pave the way to early negotiations with the ANC over a new constitution. Industry should find it easier to obtain short-term trade credits abroad, Mr Parsons believes, adding that the shift which has now taken place in overseas perceptions of South Africa was an essential first step to a resumption of foreign equity investment.

Mr Chris Stals, governor of the South African Reserve Bank, told the Argus, a Cape Town daily, that he believed Mr de Klerk's speech had greatly improved prospects for the South African economy.

Economists believe the speech will have the most immediate impact on debt repayments, which reach a peak over the next two years. Debt falling due outside the country's recently-concluded rescheduling agreement is estimated at $3.1bn this year. Economists believe improved perceptions of South Africa should make it easier to roll over this debt.

Resumption of long-term lending would be a much more distant prospect, Mr Parsons believes. Mr Peet Strydom, chief economist of Sankorp, the industrial holding company controlled by the insurance giant, Sanlam, said he believed even political stability in South Africa – which is far from certain – would not be sufficient to attract long-term capital until economic reform had also been achieved.

But Mr Strydom and other economists noted that the Government, which only took power last September, had already taken positive economic steps as well, committing itself to anti-inflationary policies and tax reform.

Japan's Communists hope to beat image problem

Robert Thomson reports on a party struggling for its survival in this month's national elections

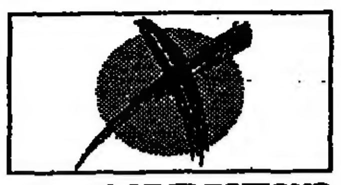
LIKE every average Japanese politician, the Communist candidates wear white gloves, they cruise the back streets in vans wired for sound and repeatedly, noisily and very politely thank voters in advance for supporting the Japan Communist Party.

The name is important. Party officials have asked Japanese newspapers to ensure that they use the full title and not just "Communist Party", to avoid confusion with the discredited Communist parties of eastern Europe or with the brutality of the Communist Party in neighbouring China.

Having begun the 1980s with 41 seats and a serious ambition to become Japan's largest opposition party, the JCP is in danger of decimation at a general election on Sunday week, and has chosen to emphasise its Japaneseness for the sake of survival.

The party now has 27 of the 512 seats in the House of Representatives, and Mr Hiroshi Kikunami, chairman of the party's policy committee, speaks hopefully of winning at least 40 and maybe 50 seats, though the reality is likely to be more prosaic.

In an Upper House election last July, when the ruling Liberal Democratic Party lost its majority and the Japan Socialist Party surged in popularity, the traditionally strong JCP collected only 7 per cent of the vote, down from 9.5 per cent in the previous election. In the meantime, the Berlin Wall has crumbled, and communist parties elsewhere are abandoning the name for image reasons.



JAPANESE ELECTIONS

Mr Kikunami argues that events in Eastern Europe have confirmed the virtue of the JCP's embrace of pluralism 20 years ago. As evidence of the party's good faith, he explains that "even if the JCP is in power and loses an election, it will become the opposition again".

"We call our socialism 'scientific socialism'. We don't believe in talking about Marx, Lenin or Engels as sacred. It is not right to worship their ideas, as even they had certain limitations. We don't believe that it appropriate to use an individual's name to describe our 'ism'."

The party is populist. Its campaign posters feature a fashionable young man playing an electric guitar ("he's a worker," a party official says reassuringly), and a rather cute if oversized image of a child emblazoned with the word "ashita" – tomorrow ("our research has shown that ashita is one of the first words a Japanese child speaks").

Another poster asserts that "rice is everything", a reference to the sensitive issue of opening the rice market to imports. Mr Hikaru Matsunaga, the Minister of International Trade and Industry, recently suggested that Japan would eventually have to give way on rice imports.

"The big issues in this campaign are domestic issues," Mr Kikunami said. "The consumption tax [a value-added tax] must be abolished, there must be an end to corrupt and plutocratic politics, and there must be protection for our farmers against the liberalisation of the rice trade."

Among the eternal issues, he says, are the exploitation of Japanese workers by large companies, a lack of welfare spending, and the ever-higher price of land: "As you probably know, if we sold all the land in the 23 wards of Tokyo, we could buy the whole of the US and still have money left over."

The party, which has a tradition of messy ideological squabbles, is fortunate to have an articulate chairman, Mr Tetsuzo Fuwa, generally regarded to have performed best of the five big party heads in an otherwise dull television debate on Friday. He has experienced the heat of factional friction: he was a contributor to a reformist communist magazine, Theory of Today, launched in 1959, and banned after five issues by his party as "deviationist".

He has admitted the party could poll "badly" unless the campaign is successful in conveying the party's respect for freedom and democracy, but insists that the name "communist" will remain because "a party's substance is more important than its name".

Unfortunately, the rapid changes in eastern Europe have left the party with recent memories of an embarrassingly close relationship to Mr Nicolae Ceausescu, the deposed Romanian leader. And the proximity of and historical ties with China has heightened the impact of the Peking massacre on the party's reputation. The party was one of the first in Japan to condemn the Chinese Government.

Yokohama children wave flags as they welcome Prime Minister Kaifu during a campaign visit

While other opposition parties claim to support the unlikely objective of a coalition government, the JCP has remained apart from these plans, though Mr Kikunami says the party first suggested a coalition in 1973.

The problem is that two of the coalition partners, the Komei (Clean Government) Party and the Democratic Socialist Party, have insisted that the coalition be non-communist, even though the JCP supports the basic coalition aims of ending the rule of the LDP, abolishing the 3 per cent consumption tax, and protecting agricultural producers.

Mr Kikunami and the party are conscious that ordinary Japanese, materially comfortable as many have become, sense that they have something to lose from a mismanaged, centrally planned economy, and so he explains that the JCP foresees "two stages of economic development".

"Our immediate aim is to struggle for a democratic transformation within the framework of capitalism so that people's living standards will be improved. Once we achieve that stage, based on consensus, we can advance to the next stage of socialism," he said.

"Because we are not seeking an immediate dramatic transformation, we are not thinking about bringing the big corporations under state control. We would try to democratise the big corporations because, basically, they control the LDP. In the first stage of democratic transformation, we would only nationalise the energy companies."

East Beirut ceasefire broken again as death toll rises

By Lara Marlowe in Beirut

THE seventh ceasefire in as many days was broken yesterday afternoon only minutes after it was supposed to take effect between Christian forces fighting for control of east Beirut.

The death toll from a week of machine gun, tank and artillery battles is now approaching 300. More than a thousand people have been wounded.

Rebel General Michel Aoun's command claimed Aoun's forces had taken the Phalangist militia's barracks, tanks and armour at Dbayeh, six miles north of Beirut. But even this gain was disputed by the militia which said it had only made "a tactical retreat of 200 yards." Fifty-nine militiamen and soldiers are reported to have died in the battle for Dbayeh, which is a critical link in both the Phalange and Renegade army supply routes.

In the words of the An Nahar newspaper, it seemed that the war between Mr Samir Geagea, the Christian Phalangist militia leader, and Aoun was leading to "a republic of graves". Aoun and Geagea "have crossed the point of no return," wrote the newspaper. "Both are fighting for existence and neither can back out." Both leaders yesterday accused one another of collusion with Damascus.

In his latest television appeal for an end to the war in Lebanon's Christian enclave, Monsignor Pablo Puente, the Papal Nuncio, said that "Lebanon's Christians have never sunk so low."

Mr Edward Djerjian, the US ambassador to Damascus, yesterday blamed the conflict on Aoun's "personal quest for power." The last 30 American diplomats in Lebanon were evacuated from east Beirut last September after Aoun's supporters laid siege to the American embassy compound.

Mr Mrantonio Mancini, the Italian ambassador to Lebanon, died of a heart attack in east Beirut during artillery bombardments at the weekend.

The hopes of east Beirut residents soared and then fell after the French government denied a Beirut Moslem radio report that Paris had dispatched two warships to the coast of Lebanon to stop the fighting and evacuate Aoun. Likewise, PresidentElias Hrawi said he no longer had any intention of intervening.

Christians crowded round the windows of a bakeries during a lull in the fighting yesterday morning. Men, women and children waved bank notes in the air and screamed offers for bags of bread which were thrown to the highest bidders.

There is no water to fight fires because of damage to pumping stations. In addition to severe shortages of food, fuel, water and medicine for the wounded, east Beirut may now face complete isolation from the outside world.

The owners of the Larnaca to Jounieh ferry were reported to be considering cancelling the daily shuttle after Phalangist militiamen attempted to commandeer the ferry in an apparent attempt to resupply their headquarters at Qarantinaon.

In west Beirut, many civilians are afraid to come out of their underground shelters because of "spillover" bombardments which have killed dozens of Lebanese Moslems. Residents of west Beirut also fear that Beirut's international airport may soon close.

Bus bombing had hallmarks of 'outside job'

By Tony Walker in Cairo

THE claim yesterday by the Islamic Jihad organisation in Lebanon that it was responsible for the attack on the Israeli tourist bus in Egypt on Monday is being taken extremely seriously by Western officials and others engaged in assessing who might have been responsible for the attack.

A possible link between Islamic Jihad and the Popular Front for the Liberation of Palestine-General Command is also being carefully weighed. The fact that the Islamic Jihad statement, claiming responsibility, was broadcast by the al-Quds station, the mouthpiece of Syrian-backed Palestinian extremist groups, is considered significant.

The tone of the statement, which dwells at length on Palestinian issues such as the present influx of Jewish emigrés to Israel from the Soviet Union, caught the attention of observers.

The PFLP-GC, a Syrian-backed group, split from the mainstream PFLP of Mr George Habash in 1968. It has been outspokenly critical of Mr Yassir Arafat's leadership of the Palestine Liberation Organisation.

The attack comes at a sensitive moment in efforts to breathe some life into the flagging peace process.

PLO moderates in Tunis have been considering whether they should lend their weight to Egypt's efforts to promote a tripartite meeting with Israeli and US officials, leading to a Palestinian-Israeli dialogue in which the PLO itself would remain in the background.

According to the Islamic Jihad statement broadcast by al-Quds radio, which is based in Syria, the attack took place "at a time when the trend of deviation in the Palestinian arena is working to rob the intifada of its militant and Jihad (Holy War) content and is abandoning armed struggle in the interest of Zionism and in preparation for...capitulation".

Radical Palestinian groups such as the PFLP-GC have been using this sort of language to attack Mr Arafat, the PLO and his moderate supporters.

Western officials in Cairo have tended to discount the possibility that Monday's attack was carried out by local militants. They observed that it had the hallmarks of an "outside job", including careful preparation and professional execution.

The PFLP-GC has increasingly presented itself as one of the most militant of the Damascus-based splinter factions. It also has a history of reasonably close links with Iranian-backed groups in Lebanon associated with the Islamic Jihad organisation.

The radical organisation and Mr Ahmad Jibril, its leader, have come under more careful international scrutiny since the bombing of the PanAm jet over Lockerbie in December, 1988. Circumstantial evidence indicates that Mr Jibril's faction, possibly in co-operation with Iran, may have been involved in the bombing of the PanAm jet. Mr Jibril is a former Syrian army officer.

Sharjah ruler removes brother from succession

By Victor Mallet in Doha

SHEIKH Sultan bin Mohammed al-Qassimi, leader of the emirate of Sharjah, has reopened the wounds of a family feud by removing his brother Sheikh Abdel-Aziz's right to succeed him as ruler.

According to a decree read out on Sharjah television on Sunday night, Sheikh Sultan removed his brother from the posts of crown prince and deputy ruler. Sheikh Abdel-Aziz briefly overthrew his brother in a coup d'etat in June 1987, but finally stood down and accepted the number two position in a compromise enforced by the other members of the United Arab Emirates.

The deal was always an uncomfortable one. Sheikh Sultan, who was ousted while on a visit to Britain, has since been reluctant to leave the country.

Sheikh Abdel-Aziz, who claimed to have seized power in order to revive Sharjah's relatively weak economy, has been living outside Sharjah in Abu Dhabi. "We hereby abolish the decision which named Sheikh Abdel-Aziz as crown prince and deputy ruler of the emirate of Sharjah," Sheikh Sultan's decree said.

No new crown prince has yet been named, and it was not clear last night if Sheikh Sultan had the backing of the other six emirates for his move. The two most powerful emirates, Abu Dhabi and Dubai, were thought to be at odds during the original dispute, with Abu Dhabi appearing more sympathetic to Sheikh Abdel-Aziz.

Past stalks New Zealand treaty anniversary

Terror threats and radicals mar Waitangi commemoration, writes Dai Hayward

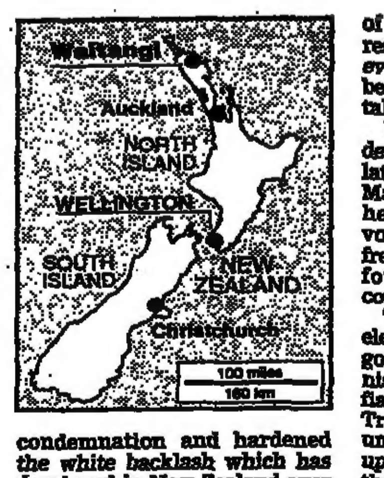
BRITAIN'S Queen Elizabeth today attends the 150th anniversary of the signing of the Treaty of Waitangi amid the biggest security operation in New Zealand against the possibility of a terrorist attack and the certainty of protest demonstrations by radical Maori groups.

At Waitangi, in the Bay of Islands, where the treaty signing will be re-enacted, security problems are immense, with many thousands of spectators over a large open area.

The Government is taking the threat of disruption or violent protest seriously. For the first time, diplomats have not been invited to the annual Waitangi commemorations.

The police believe two Irish Republican Army militants arrived in New Zealand recently. Tension has been heightened by two publicised incidents. One was a threat to kill the Maori Queen, Dame Te Ata i Rangi Kaahu. The other was the forceful occupation by a group of young Maori radicals of a remote luxury holiday lodge operated by the Department of Conservation. The radicals demanded the land and lodge be handed over to their tribe.

The group had made no effort to lodge a claim for the land through the Waitangi Tribunal, which was set up by the Government to arbitrate on Maori grievances. This, coupled with the fact that a private owner has a clear land title, has caused widespread condemnation and hardened the white backlash which has developed in New Zealand over the past decade.



Although even the tribal elders refused to support the group's action it reflects the growing unrest among a large number of Maoris at what they perceive to be the failure of the European partner to honour the obligations of the treaty under which sovereignty passed to the British Crown.

Most, but not all, the grievances relate to land ownership and fishing rights. During the last century large areas of Maori land were confiscated and illegally occupied by white settlers – usually backed by the army.

One result was the land wars of the 1860s. Although Maori warriors inflicted many defeats on British troops, in the end the overwhelming superiority of British arms won. Maori resentment has simmered on ever since, with many claims before the Maori Land Court taking years to resolve.

However, within the last decade a generation of articulate, often university-educated Maori activists have spearheaded increasingly more vocal and obvious protests, frequently successfully arguing for their rights in the courts.

The Labour Government, elected in 1984, was the first government officially to recognise that the Maoris' had justifiable grievances. It gave the Treaty of Waitangi legal status under New Zealand law and set up procedures to try to resolve the various claims.

No-one believes this will be easy. Mr Geoffrey Palmer, the Prime Minister, is regarded as optimistic when he says he hopes all claims will be settled within 10 years.

The sympathetic moves by the Government brought a rush of actions and claims. Maori groups now claim 80 per cent of the land area of the South Island, which they want handed back to Maori ownership and control. Large areas of the North Island, including the coal in the ground of the former state-owned coal mines, are also subject to court hearings and claims.

Many landowners fear they could lose their farms if these claims are successful, although the Government is adamant that only Crown land could be handed back to Maori ownership. However the increasingly confrontational attitude of the more militant Maori groups leave many feeling uneasy.

The Treaty of Waitangi was intended to be a simple document protecting Maori land and fishing rights and passing sovereignty to the British Crown. Misunderstandings over the meaning of several words arose almost immediately. This was aggravated by the fact that two versions of the Treay were prepared, one in English, the other in Maori. Until the arrival of European missionaries the Maori had no written language, a further handicap to the clear understanding of a semi-legal document.

After the initial signing by 45 chiefs at Waitangi, several more copies of the treaty document were made and carried throughout New Zealand for local tribes to sign. This duplication created more opportunities for error and misunderstanding.

Until three years ago the guarantee of Maori fishing rights was generally regarded as giving the Maori the right to take protected shellfish or other sea food on which limits were placed. Then one tribe with some astute lawyers in its ranks and eyeing the surging growth of New Zealand's deep sea fishing industry, used the treaty successfully to claim in the High Court the right to all the fish in the sea from its coastal boundaries to the edge of the 200-mile economic zone.

The commercial fishing industry was thrown into a turmoil and the Government was embarrassed by the ensuing uproar. Some non-Maori fishermen were chased off beaches by local Maoris claiming they now had the sole right to fish.

The Government has devised a compromise to settle this dispute under which 10 per cent of all New Zealand fishing rights will be transferred to Maoris over the next three years. Half the fish quota will go to a newly created Maori-owned commercial fishing company. The rest will be shared among private Maori fishing interests. The Maori share of the quota is valued at more than NZ$100m.

The Government has also given several million dollars to help establish the commercial company. Some Maori groups are dissatisfied with this decision and have gone back to the High Court seeking the right to all the fish, not just 10 per cent.

Maoris make up more than 10 per cent of the New Zealand population of 3.2m. The majority wants the injustices of the past acknowledged and redressed in a peaceful manner. But police fear that today's commemoration with the Queen present and the world's media watching may prove a tempting opportunity for activists to stage a dramatic protest.

AMERICAN NEWS

White House aggressive in stand over Budget

By Peter Riddell, US Editor in Washington

THE White House is taking an increasingly aggressive public stand over this year's Budget.

This follows a week in which senior Administration officials came under fire for allegedly over-optimistic economic assumptions and unrealistic spending plans.

Unlike last year, there are no signs of early talks between the Administration and Congress, with predictions on both sides of a lengthy stalemate.

However, key advisers such as Mr Richard Darman, the Budget Director, and Mr John Sununu, the White House Chief of Staff, argue that the administration has the advantage.

Their confidence is based on the Gramm-Rudman deficit reduction law. This requires across-the-board spending cuts, known as sequestration, split equally between defence and domestic spending if the projected deficit is not below the target level when the fiscal year starts.

In past years the Administration has been reluctant to apply the sequester because of protests from the Pentagon.

However, this view has now changed. First, the sequester

Richard Darman: Confident

came into operation last October before being lifted following November's Budget agreement. The Administration believes the sequester helped to produce a more satisfactory deficit reduction package.

Second, in the changed international climate, the administration is willing to accept cuts in defence spending alongside reductions in social programmes.

Consequently, the Administration is willing to let Gramm-Rudman cuts come into effect.

A complicating factor is that under present plans defence accounts for only $6bn, or a sixth, of Budget savings, and cuts would be much larger under sequestration.

Moreover, the Democrats has also gained some leverage through Senator Daniel Patrick Moynihan's proposal for a cut in the social security payroll tax.

While the Democratic leadership has so far taken a cautious view, the proposal may be used in the Budget manoeuvring over a deal, especially to modify the President's call for a lower capital gains tax.

Democratic leaders have talked of amending Gramm-Rudman, but Mr Darman said last week the President would veto any repeal. The Budget Director also indicated that he would not recommend a suspension of the targets under the Gramm-Rudman escape clause, whereby this can happen if there are two successive quarters of economic growth of under 1 per cent (quite possible after the 0.5 per cent expansion of the fourth quarter of 1989).

Poll victory for Unity party in Costa Rica

Candidate of Arias is rejected

By Tim Coone in San José

THE ruling National Liberation Party (PLN) of President Oscar Arias of Costa Rica has been narrowly defeated by the opposition Social Christian Unity party (PUSC) in Sunday's general elections.

Dr Carlos Castillo, President Arias's hand-picked candidate to succeed him for the next four years, was defeated by a slim 3 per cent margin by Mr Rafael Angel Calderón of the PUSC. It was Mr Calderón's third bid for the presidency. The PUSC is expected to win 29 seats in the 57-member Legislative Assembly against 25 for the PLN.

The PUSC is also thought to have won the majority of the 81 municipal councils around the country.

Complete results will not be available for several days yet.

With less than half of the voting return counted Mr Calderón has been officially declared the victor, having taken 50 per cent of the accumulated vote, against 47 per cent for the PLN.

Dr Castillo conceded defeat late on Sunday, saying: "We will be a loyal but intransigent opposition. We will not accept setbacks in our economic development, in the aspirations of our people or on the road to peace." Costa Rica's economy has grown by an average 4 per cent a year during the four years of the Arias

Seal of approval: Opposition candidate, Mr Rafael Angel Calderón, celebrating his election triumph with wife, Gloria

administration. Mr Arias won the Nobel Peace Prize in 1988 for his Central American peace efforts. The constitution barred him from standing for a second term.

Half a dozen small parties appear to have won less than 5 per cent of the vote between them, fewer than in the 1986 general elections, and confirming a steady trend towards a political system heavily dominated by only two parties despite the use of proportional representation.

The abstention level among the 1.69m registered voters has not yet been announced but it is not thought to be significantly different to the 18 per cent abstention rate in 1986.

The president-elect will take office on May 8.

Employers in US suffer headache over medical care

Patrick Cockburn reports on the rising costs for companies of keeping their workforce healthy

US COMPANIES are continuing to be badly hit by the rapid increase in the cost of medical care for their employees, which last year rose by almost 17 per cent, according to a survey of medical plans covering some 12.5m employees.

The US already spends far more on its health than other industrialised nations. Last year Americans spent nearly 12 per cent of total GNP on health, up from 8.1 per cent in 1981, and there is no sign of the inflation in medical costs abating, according to the study by A. Foster Higgins, a leading employee benefits consulting firm based in Princeton.

Mr John Erb, a managing consultant and one of the study's authors, said that one reason for the continuing surge in prices was that use of expensive medical technology is now spreading outwards from major hospitals to local clinics and health care centres.

Asked about the reasons behind the increase in costs, the 1,943 employers in the survey said that, in contrast to the early 1980s, when they spent more money on employees going into hospital, the trend today was for outpatient costs to escalate rapidly.

As a result of these price increases the average cost of a medical plan per employee rose 20.4 per cent, from $2,160 in 1988 to $2,600 last year. Mr Erb said the situation would get worse before it gets better. He estimated that the average cost of health benefits per employee will top $3,200 in 1990.

Total health care costs, which includes dental and eye treatment as well health maintenance organisations, rose 15.7 per cent in 1989 to $2,748 per employee, from $2,354 in 1988. Many employers have sought to limit the patient's choice of doctor and access to high technology treatment through so-called managed care programmes, but without much impact on their costs.

Employers reported several reasons for the sharp 1989 rise. The most important was advances in medical technology and drug therapy.

A further point is that the growth in health costs in the early 1980s was centred on hospitals and inpatient care. Today many increased costs flow from outpatient treatment. A patient with a headache, who five years ago would have been given a pill, might now get a brain scan.

Other studies confirm the same trend. The cost of a semi-private room in a hospital in Washington DC in January 1989, was $415 a day, according to the Health Insurance Association of America. The average cost of spending one night in hospital in the nation as a whole was $259, up 9.6 per cent on the year before.

In geographical terms the steepest increase in costs was in New England, where average medical plan costs rose by 35.8 per cent, and in the Pacific and Mid-Atlantic regions, where employers paid just over 29 per cent more.

This evidently reflects the presence of employees working for utilities or communications industries – both highly unionised with high benefit programmes – with a cost per employee of $3,366 and $3,341 respectively.

Wholesale and retail employers had the lowest cost per employee, at $2,146.

The biggest payouts were from large companies with more than 40,000 employees whose health plan costs rose 22.3 per cent to $3,157. Companies with less than 500 workers paid $2,646 in 1989.

US health costs

Source: A. Foster Higgins

Madrid talks to discuss Falklands defence zone

By Gary Mead in Buenos Aires

PRESIDENT Carlos Menem and Mr Domingo Cavallo, Argentina's Foreign Minister, said at the weekend that their principal aim at next week's Madrid talks between Britain and Argentina was to achieve the lifting of a 150-mile military defence zone around the Falkland Islands.

The talks, scheduled to start on February 14, will be preceded by a lower-level meeting in Madrid on Thursday and Friday this week, where discussions on military confidence building measures will attempt to smooth the way for the following week.

There has been widespread speculation on both sides that the restoration of full diplomatic relations, broken since the 1982 Falklands war, will result from the meeting.

Argentina first made overtures to Britain last July, when Mr Carlos Menem took over as President. Mr Cavallo has led the campaign to achieve better relations, first by lifting trade sanctions against Britain and later by accepting negotiations last August without Britain first having lifted two exclusion zones around the Falklands.

However, since the start of this year Argentine merchant vessels have been permitted to sail through a 150-mile fishing protection zone around the islands. The last obstacle, for Argentine diplomacy, is the continuation of the military exclusion zone.

While the Foreign Office has made it quite clear that for the moment the military zone will stay in place, the Argentine administration urgently needs a diplomatic coup to present to a domestic audience enduring a severe economic crisis.

Canada spends reserves to support dollar

By Bernard Simon in Toronto

CANADA spent US$1.15bn of its foreign currency reserves, equal to almost 7 per cent of the total, to support the Canadian dollar last month.

The department of finance said yesterday that its official international reserves fell to US$15.65bn on Jan 31, from US$16.8bn a month earlier.

The heavy intervention stemmed from the Bank of Canada's decision to relax its three-year-old high interest rate policy in mid-January. The fall in interest rates was immediately followed by a plunge in the Canadian dollar. The currency tumbled from a peak of 86.48 US cents in late December to 83.50 US cents.

Apparently taken by surprise at the steep fall in the dollar, the central bank has subsequently pushed interest rates up again.

Mexico praises debt accord

By Richard Johns in Mexico City

MEXICO should save an average of $4.71bn annually in the period 1990-94 as a result of its debt accord with the commercial banks finally concluded here on Sunday, according to Mr Pedro Aspe, Minister of Finance.

He said after the signing ceremony that the calculation was based on an average reduction in interest payments of nearly $1.63bn, new credits worth $288m in each of the five years, and the deferment of payments on principal, giving an annual saving of over $2.15bn.

Mr Nicholas Brady, the US Treasury Secretary, also praised the accord, saying that it would cut commercial debt servicing by a third and lift "$42bn from the shoulders of the Mexican people".

Mr Michel Camdessus, International Monetary Fund managing director, said: "The effect of the agreement today will be felt beyond the country. It will serve as an example to other countries struggling with debt problems."

Defending the agreement, Mr Aspe said that it had dramatically changed Mexico's amortization scheduled and debt profile. In effect the issue of 30-year bonds in exchange for old debt, in respect of 88 per cent of the total $48.5bn medium and long-term debt involved in the deal, meant one single repayment of $35bn would be deferred until 2019.

Mexico had been scheduled to repay $2.15bn during the 1990-94 period and $3.5bn from 1995 to 2006. The immediate effect will be to reduce external debt to just under $93.60bn by the end of March.

But if savings of around $7.75bn in interest payments and $5.96bn in credits from multilateral institutions and Japan are treated as assets – as the Government here believes they should – then the outstanding debt would be reduced to just under $79.89bn.

WORLD TRADE NEWS

US and Japan submit plans to free textile trade

By William Dullforce in Geneva

THE US and Japan yesterday submitted separate, detailed proposals for liberalising the $200bn (£125bn)-a-year world trade in textiles and clothing – one of the most sensitive issues in the Uruguay Round multilateral trade talks and of special importance to developing countries.

Both would allow transition times for dismantling existing protection of importers' domestic industries practised under the Multi-Fibre Arrangement, which has governed the trade for nearly 30 years.

Under the US plan, industries in the main importing countries would be fully exposed to competition from Third World exporters by the end of 2001. The Japanese programme would completely free the trade by 1999 at the latest.

In trade political terms, the US proposal is the more important, first, because the US Administration, dogged by a manufacturers' lobby, had been reluctant to take the lead in textiles and clothing in the Uruguay Round and has been accused by developing countries of dragging its feet.

Second, the US proposes two alternatives for the transition period, a global quota system or a tariff rate quota system, criticised by importing-country manufacturers and exporting countries, when first mooted last year. Manufacturers say the systems allowed exporters too much scope for targeting markets, while some governments saw implementation difficulties.

The MFA, which functions mainly through national import quotas, expires in July 1991. The US wants to switch during a 10-year period starting next January to a non-selective global quota system. Each product category would be divided into import allocations specific to individual countries and a gradually-expanding "global basket".

Country allocations would shrink each year by a tenth of the original amounts, while the global basket would increase by the overall growth factor and by adding to it the 10 per cent taken from each country allocation. Growth factors would be negotiated multilaterally yearly. They could vary, depending on a product's import sensitivity, but would increase over time.

Under the alternative tariff rate quota system, country allocations and the global basket would be applied through a two-tier tariff. Over the 10 years, imports would shift towards the global basket with lower tariffs. Japan wants to scrap the MFA in July 1991. Countries would then be able to apply temporary curbs under criteria stricter year by year during the transition.

Criteria would include objective assessment of market disruption caused by imports. Curbs would not be applied to poorer countries or small suppliers, would be of limited duration, and phased out. No exporting country would be subject to curbs, if another exporter with a higher market share, higher import growth rate or lower import price were free of restraint.

The foreign takeover exception that 'proves the rule'

Bush says block on Chinese investment was issue of security, not foreign policy, writes Peter Riddell

OVERSEAS investors and governments have been worried about the wide-ranging scope of the powers to block foreign takeovers of American companies given to the US President under the Exon/Florio provisions of the 1988 Trade Act.

On Friday, these worries seemed to be confirmed when President George Bush used the powers for the first time in ordering China National Aero-Technology Import and Export Company (Catic) to dispose within three months of Mamco, an aircraft parts manufacturer in Seattle which it bought two months ago.

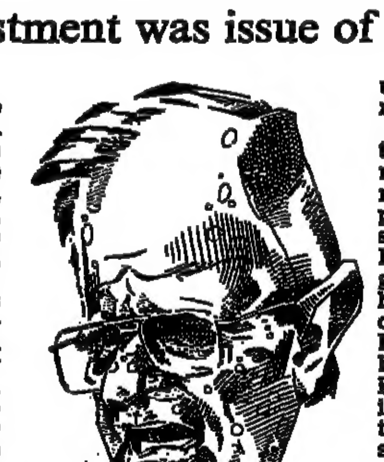
The Bush Administration believes fears about restrictions on foreign takeovers are exaggerated. The White House said the US was committed to maintaining its policy of welcoming foreign direct investment on a non-discriminatory basis, with only limited exceptions. The Catic/Mamco decision was the exception that proved this rule – an unusual acquisition that had to be blocked on national security grounds.

Both sides have a point. The Catic/Mamco divestment is a special case, but it does raise broader issues about the catch-all nature of Exon/Florio, especially at a time of out, recurrent concern within the US about foreign takeovers, especially by the Japanese.

Under the law, companies voluntarily notify the Committee on Foreign Investment in the US (Cfius), an inter-agency group chaired by the Treasury. Cfius then has 30 days to decide whether to undertake an investigation, 45 days to complete such an inquiry and make a recommendation, and not more than 15 days for the President to announce his decision (with no right of appeal).

The President can block transactions or, as in this case, order divestment if there is "credible evidence that the foreign interest exercising control might take action that threatens to impair national security" and other laws do not provide adequate protection.

In this case, certain classified information was drawn to



Bush: Likes market approach

the attention of Cfius, which focused on Catic's "past activities". US officials have refused to expand, but defence and intelligence agencies appear to have been concerned about past attempts by Catic to obtain militarily-useful technology and believed it might use Mamco to acquire restricted technology.

The Administration insists that the decision, unanimously recommended by Cfius, has nothing to do with US foreign policy towards China and is strictly based on enforcing the law on national security grounds. The decision will, however, to some extent placate congressional critics of Mr Bush's desire to keep open high-level contacts with the Peking regime, while threatening efforts to improve relations, as some of Mr Bush's senior advisers warned.

The decision is seen by the Treasury as "a very unusual" case. Indeed, Exon/Florio was primarily a response by Congress to concern about takeovers of high technology US companies by Japanese and European groups. Mr Christopher Wall, a lawyer at Winthrop, Stimpson, Putnam and Roberts, who has handled several Exon/Florio cases, said the impact on investors and markets would have been considerable if a Japanese or European deal had been blocked.

Mr Brad Larschan, corporate secretary of the Association for International Investment, a lobbying group against controls, has noted that Exon/Florio was "intended to be a national security safeguard, not a foreign policy tool".

"We hope this will not set a precedent for reviewing foreign investment on political grounds. That would seriously erode the US commitment to the principle of national treatment."

But Senator James Exon, a co-author of the provision, said he hoped the action "would send a very clear signal to all foreign buyers that the Exon-Florio law is meaningful."

Most foreign investors accept that Exon/Florio has been implemented efficiently and fairly by Cfius. In the 15 months since the law came into force 243 deals have been examined, of which only six have been referred to the President for decision. Of these, three were approved, two were dropped (in one case being satisfactorily reworked) and only Catic/Mamco has been blocked.

There has been some addition to the administrative work involved in a takeover, but, with the number of foreign takeovers in the US rising again last year, there is no sign of any deterrent effect.

But for all the official words of reassurance and the satisfactory record to date, foreign investors are worried about the wide scope for discretion in the draft rules. These were published last summer and are still being considered in the Administration.

In particular, overseas governments and investors are pressing for a tighter definition both of national security and of what constitutes control, for some "sunset provision" (laying down a time limit on how long a deal can be reversed by order), and for clarification of the position of foreign bank lenders taking US assets as collateral in the event of default.

The Treasury has promised these rules in the spring. Until then the overseas worries will remain.

NEC drops computer bid in favour of US

NEC, the Japanese technology company, said yesterday that it will withdraw a planned bid to supply a supercomputer to a Japanese university, opening the way for Cray Research, the US company, to win the contract and, it is hoped, placating US trade officials, Robert Thomson reports from Tokyo.

Supercomputers have been listed by the US under the punitive Super 301 provision of the 1988 US Trade Act, though it is unlikely the NEC action will satisfy US officials, who have complained about bidding practices in the Japanese academic market.

"It is in the best interests for us to avoid this contract," an NEC official said. NEC expects the order will be announced around May or June, when US-Japan trade friction is expected to intensify.

NEC was thought to be ahead in supplying the supercomputer to Tohoku University, as the institution has already purchased a supercomputer from the Japanese company. In the Japanese press, the company suggested that its latest model, the SX-3, would not be ready in time to satisfy the contract, an explanation apparently designed to save face for the US company.

Tokyo would appreciate a decision in Cray's favour before June 15, the deadline for action under Super 301. Japanese government officials have tried to ease trade tensions by offering to buy supercomputers from the US.

● Japan's Post and Telecommunications Ministry indicated yesterday that a consortium of three Japanese companies could be given permission to launch a telecommunications satellite, likely to be bought from a US company.

Satellites are also listed under Super 301, and Japanese officials have argued the country did not need another, US-made telecommunications satellite. But a ministry official suggested yesterday there could be enough commercial demand to justify the launch of another satellite, which would please Washington, if the consortium buys a US satellite as planned.

Rothmans in deal with Soviet cigarette maker

ROTHMANS, the international cigarette group, has entered into its first co-operation agreement with a Soviet cigarette producer, John Wicks reports from Zurich.

Sullana, a Swiss manufacturing subsidiary of Rothmans, is this month to introduce a new brand 'Fjodor' to the Swiss market. Manufactured by the Urizki tobacco factory in Leningrad, the Soviet Union's second biggest cigarette manufacturer, the Russian-style cigarettes have been adapted to meet Swiss taste.

The brand will retail at SwFr2.90(£1.20) for a packet of 20.

E German trade 'revised' down

East Germany's foreign trade was worth about $53.5bn (£33bn) in 1988, about $10bn less than the official figure, according to a study by the Cologne-based Institute of German Economy, David Goodhart reports from Bonn.

This says East Germany's share of world trade is about 1 per cent, compared with 10 per cent for West Germany, and that trade volume per head is $3,200 compared with $13,800 in the Netherlands, a country with a similar population.

According to official statistics trade with West Germany came to just 7 per cent of the total, only about one-quarter of the 27.6 per cent of trade going to the West. But according to the Institute trade with West Germany represented over half of Western trade in 1988.

Aeritalia in Airbus venture

AERITALIA, the Italian state aerospace group, is to join Pratt and Whitney in developing a more powerful version of the US company's PW4000 jet engine to equip the new Airbus A330 aircraft, Paul Betts writes.

Aeritalia will share in making nacelles for the new PW4000 higher-thrust engine. It will have an 18 per cent share of the US company's nacelle programme and will design, and make major components of the nacelle, which houses the aircraft engine. Aeritalia is also sharing in the Airbus A330 programme.

● Scandinavian Airlines System (SAS) is to expand its Eastern Europe network, becoming the first Western airline to fly to Riga, Latvia. SAS has bought four McDonnell Douglas MD-80 airliners and taken options on four more worth a total $216m.

Boost for Jakarta plans to privatise projects

PLANS by the Indonesian Government to privatise major infrastructure projects were boosted yesterday when five local companies agreed terms for a $120m (£75m) telecommunications deal for the capital, John Murray Brown reports from Jakarta.

The deal, the first of four major telecommunications contracts under negotiation, is a breakthrough in efforts to secure private financing for proposed projects ranging from power stations to toll roads at a time when Indonesia's debt has reached $50bn.

Under the accord, five private Indonesian groups – the largest being Electrindo Nusantara – will install 20,000 lines through a revenue-sharing pact with Perumtel, the state telephone corporation.

Investors will pay 100 per cent of installation costs and receive revenues for 70 per cent of outgoing calls. The payback period will vary from 2 to 10 years, depending on location.

Dr Jusuf Habibie, Reasearch and Technology Minister, is seeking franchise finance proposals on new power plant under the Build-Operate-and-Transfer model. The idea, pioneered in Turkey, allows the contractor to recover costs by charging the consumer for electricity. But exchange risk is considered a snag, as Indonesia has devalued three times in 10 years.

Trafalgar House, the UK construction group, which hopes to win approval for a $400m toll road from Jakarta to Bandung, wants to float inflation-linked bonds on the Jakarta stock exchange, to finance the project. Indonesia's only completed privatised project to date is a $160m Jakarta toll road.

Swiss arms exports fall sharply

Swiss arms exports fell by some 23 per cent last year from SwFr504.4m(£201m) to SwFr390m, the lowest level since 1974, John Wicks reports. The Swiss government said the drop was similar to that in other industrialised countries and was due to cuts in national military budgets. Main buyers of Swiss armaments in 1989 were Canada, Malaysia, Austria and Germany.

Glaxo links up with Canadians on AIDS drug

By Robert Gibbens in Montreal and Peter Marsh in London

GLAXO, Britain's biggest drugs company, is to base its *main effort in AIDS research* on a partnership with a small Canadian medicines group after a C$25m deal with IAF BioChem International.

Glaxo has signed a five-year, C$15m licensing agreement with Montreal-based IAF. This gives it marketing rights to a compound called BCH 189 that IAF has developed.

The UK group will also become responsible for testing on people the product, which so far has been studied only in laboratory research.

Glaxo will pay a further $10m to cover the cost of past research on BCH 189 and *for certain other future costs.*

Assuming clinical trials go well, the two companies will form a joint venture to sell the drug in Canada while Glaxo will handle marketing in the rest of the world. The agreement will give IAF unspecified royalties if the compound goes on sale.

In laboratory research, the compound has been shown to attack the replication of HIV (human immunodeficiency virus), the virus that causes AIDS.

The chemical is thought to work in a similar way to Retrovir, the only drug licensed to *treat AIDS. It may show activity* against HIV strains resistant to Retrovir, which is made by Wellcome, a UK pharmaceutical company. Researchers believe the Canadian drug may be less toxic than Retrovir.

IAF is a publicly held research company which has bought the vaccine production activities of a provincial institute and plans a joint venture in vaccine production with American Vaccine Corp. of Miami.

Glaxo is pursuing a number of areas of AIDS research but none is as far advanced as the work based on BCH 189. The company has in the past few months stopped work on two AIDS drugs it had under development because they did not show enough promise. These products are interleukin-2, which Glaxo licensed from Biogen, a US company, and carbovir, licensed from the University of Minnesota.

Proposal to ensure costs stay down after coal power privatisation

Cheap nuclear power may safeguard industrial costs

By Maurice Samuelson

ELECTRICITY from Britain's heavily subsidised nuclear power stations may be used to ensure that British industry continues to receive bulk supplies of cheap power after the more economical coal-fired power stations are privatised.

It would also ensure that the expected price increases for industrial consumers are phased in less painfully than would be otherwise be the case.

This proposal is under discussion inside the electricity industry as final arrangements are made for transferring it to the private sector on March 31, its official Vesting Day.

The new scheme would be the latest in a number of deft "fudges" which Mr Wakeham has imposed to ensure compliance with the tight privatisa*tion timetable.* "We would see the extraordinary spectacle of the country's dearest electricity being turned into the cheapest," an official said yesterday.

Nuclear power stations would deliver electricity at an average 5 pence per unit, double the price of coal-fired electricity. But heavy industrial users would pay about 3p a unit, compared with 5p for householders.

With nuclear power due to be subsidised by a levy on the rest of electricity sales, it *means that domestic and* smaller industrial consumers will continue to pay higher prices in order to help keep down those of heavy industry.

Financing this from the nuclear subsidy would contrast sharply with the recent practice of "dedicating" cheap tonnages of power station coal to cheaper prices for industry.

The idea stems from the interlocking contracts between the fuel suppliers, the generators and the electricity distributors now being rapidly tied up by an army of lawyers.

Under this system, the three year coal deal between British Coal and the generators is the "back to back" basis for the separate contracts between generators and distributors covering the supply of electricity to the domestic franchise market.

This ensures that since the householder will bear the full cost of the coal, the cost of nuclear plants, the only ones to receive a subsidy, will fall on the *industrial market.*

Since the mid 1980s, relief for industrial electricity prices has been provided by "dedicated" tonnages of cut price coal. But with the 70m tonnes a year of coal now locked into the domestic market, this practice cannot continue.

After electricity privatisation, major industrial consumers will also for the first time bear some of the electricity industry's infrastructure charges, including *transmission,* as well as the new levy, amounting to 10 per cent of the *price of fossil-fuel electricity,* to subsidise a continued State commitment to nuclear power.

All these additional costs, which in some cases would entail price rises of up to 40 per cent, could deal industry a crippling blow. Mr Wakeham is therefore proposing to cap industrial price increases to a maximum of 5 per cent above the rate of inflation.


Peter Brooke: prospect of talks

Brooke renews prospect of all-party talks in Ulster

By Kieran Cooke in Dublin

MR Peter Brooke, the Northern Ireland Secretary, has again raised the prospect of holding talks with all parties in Northern Ireland if there was an end to violence.

Mr Brooke was speaking at the weekend after a meeting with Mr Gerry Collins, the Irish Minister for Foreign Affairs, near Shannon in the south of Ireland. Mr Brooke said no talks could take place with Sinn Fein, the IRA's political wing, until violence ceased. If this happened, said Mr Brooke, then "a whole new situation would arise."

Mr Collins and Mr Brooke said their discussions had centred on recent indications that Unionists – the parties in favour of remaining part of the UK – in Ulster might be interested in entering into talks.

Afterwards the two ministers said they had discussed political and economic issues. It was their first meeting since Mr Brooke's speech on 9 January which suggested there was common ground for talks between the Government and local politicians.

Mr Brooke reiterated the Government's commitment to the Anglo-Irish agreement and said he hoped to meet Unionist politicians soon, but that no date had been fixed.

Mr Collins said that he had raised the subject of the Birmingham Six – the alleged IRA pub bombers jailed in the mid-1970s – and was satisfied the British Government was aware of the Irish Government's concern on the matter.

The informal talks were the first opportunity for Mr Brooke and Mr Collins to meet after the Anglo-Irish conference meeting due in London last Wednesday was postponed because of a parliamentary row in Dublin.

In Dublin the annual Sinn Fein party conference was also discussing events in Northern Ireland. Mr Gerry Adams, MP for West Belfast and Sinn Fein President, ruled out any suggestion that his party drop support for what it calls "the armed struggle."

He said: "To demand that we condemn armed struggle as a precondition for our inclusion in talks is a pretext for delaying the inevitable. It ignores the fact that every political party in Ireland and in Britain supports in some form the use of military force."

A "presidential address" by Mr Adams to Sinn Fein delegates was considered relatively low key, without the ringing endorsements of the IRA and its activities which have been a feature of past party conferences.

However, Mr Adams did not criticise the IRA either. Nor did he refer to a series of recent IRA "mistakes" which have led to the deaths of civilians.

Dumenil unit trust group wound up after price mistakes

By Richard Waters

THE SECURITIES and Investments Board yesterday ordered the unprecedented winding up of a stable of unit trusts which at one time had £86m under management and more than 25,000 investors in the UK.

The Dumenil unit trust group, which operated 11 trusts covering European countries, foundered over a series of administrative failures which led to mistakes in the prices of the units it bought from, and sold to, the public over more than two years.

Investors in the group's trusts, which have been suspended for three months to allow time for the chaotic situation in its back office to be sorted out, will be paid the bid price of their units on the suspension date.

A fund has also been set up to compensate investors whose units have increased in value since then, or who have suffered from pricing errors in the past.

The *compensation is to be* paid by the parents of the group, the Paris-based Banque *Duménil Leblé, as well as the* two trustees, Midland Bank and Coutts & Co. Any investors who benefitted from errors in pricing will not have to repay money. Around 13,000 investors stand to receive £32m in the pay-out when the Dumenil trust assets have been realised, probably at the start of March.

Around the same number of former investors in the group, who sold their units before the November suspension, could be affected by the compensation arrangements.

The SIB said that, before ordering the winding up, which had been suggested by the Dumenil management, it had been satisfied by a report that the arrangements are in the interests of past and present unit holders. But it seems likely the arrangements will leave many investors worse off. Capital gains tax will become due on gains made from the Dumenil trusts. This means that investors who want to reinvest in other trusts will face a tax charge they would *not have faced in a continuing* trust. Also, Touche Ross are understood not to have been *able to reconstruct* Dumenil's records completely.

Tougher deal likely on alcohol advertising

By Alison Smith

THE Government is set to toughen the voluntary agreement with the alcohol industry about its sponsorship of sporting events.

The result is expected to be the agreement of the industry to use its non-alcohol and low-alcohol brands in such sponsorship wherever possible, rather *than full*-strength brands as at present.

The initiative is due after the *meeting this week of* the Ministerial Group on Alcohol Misuse, chaired by Sir Geoffrey Howe, the leader of the House.

The Government is expected to approach The Portman Group, an alcohol industry organisation, to seek its co-operation.

The Group was set up last October by Allied-Lyons, Bass, Courage, Guinness, International Distillers and Vintners (IDV), Scottish and Newcastle, Seagram and Whitbread, with the task of tackling alcohol misuse. Its director is Dr John Rae, the former headmaster of Westminster school.

While previous suggestions for tightening the rules about alcohol sponsorship have foundered, the industry's development of a greater range of non- and low-alcohol beers and lagers, is one of the reasons for raising the issue again now.

It has also been suggested that Mr Nicholas Ridley, environment secretary until last July, and now trade and industry secretary, would have opposed putting fresh restrictions on sports sponsorship by the alcohol industry.

White weddings land couples in the red

By David Barchard

THE COST of marriage is going through the roof, according to a report published yesterday. Engaged couples and their families should expect to pay about £6,586 for their wedding, *and a further* £5,702 or so to set up home.

A survey of 2,047 newlyweds published in Wedding and Home magazine says wedding costs have risen by 25 per cent in the last 12 months.

The average bride is 24 and her groom 26, the survey says. They marry after an engage*ment lasting* 20 months, spending an average of £443 on a diamond wedding ring and £518 on a wedding dress. Even the groom spends £203 on his wedding day attire – 20 per cent up on last year.

The most expensive weddings take place in London, and cost £6,624 on average. An engagement ring costs £709 in London, well ahead of the rest of the country. But London grooms are less likely to wear wedding rings than men in other regions.

The cheapest weddings take place in Wales – an average of £5,176, partly because the Welsh *spend* least on the engagement ring.

Church weddings are most popular in the Midlands where more than 90 per cent of weddings take place in church. Despite this Midland grooms spend less than any other area on their wedding attire and buy the cheapest wedding rings.

For honeymoons, the most popular destinations are now the US, the *Bahamas* and Greece. Most honeymoons last 13 days and cost an average of £1,634.

Ford plants in Europe suffer the ripple effects of a British dispute

By Kevin Done, Motor Industry Correspondent

THREE Ford assembly plants were closed yesterday, two in the UK and one in Belgium, as the ripples spread from the industrial unrest affecting various of the company's UK plants since November.

By last night the company had lost the output of 32,239 vehicles, chiefly at its Halewood plant on Merseyside as well as at its plants in Southampton and Genk, Belgium.

Until now industrial action has been confined chiefly to Halewood and an unofficial strike by 550 craftsmen.

Halewood produces the Escort and Orion car range, as well as transmissions and body panels for Transit vans.

The impact of the indefinite strike started yesterday by around 1,600 electricians, could be felt quickly at several of Ford's 21 UK plants and in significant parts of the company's European production network.

The stoppage is likely to have growing but unpredictable effects as equipment requiring electrical maintenance breaks down.

The rapid domino effect from the Halewood stoppage has already shown the degree of interdependence that exists throughout the Ford of Europe production network.

The unofficial action by the 550-600 mainly mechanical maintenance craftsmen at Halewood which started on January 15 began to bite quickly in the face of a major break-down of equipment in the body construction plant, which could not be rectified.

A day later the Halewood vehicle assembly plant was hit and since January 16 no vehicle has been produced there. Not only does Halewood produce most of the Escort and Orion cars sold in the UK – Ford's single biggest market in West Europe – it is also the sole European source for Escort vans.

On January 18 the dispute was joined by maintenance craftsmen at the Halewood transmission plant, which produces transaxles for the front wheel drive Escort and Orions (produced at Halewood) but also the MT75 rear wheel drive transmissions for the Sierra cars and Transit vans produced at Dagenham and Southampton respectively.

(Ford of Britain does not produce transmissions for any of Ford's continental assembly plants).

Halewood normally produces 1,260 vehicles a day, but since January 19 there has been no production at all at the site and 8,000 of the 8,600 workforce have been laid off.

The main ripple effect from Halewood has so far been seen at Southampton and at Genk, Belgium, the two European assembly plants for Ford's all-conquering Transit van. The Transit has been Europe's best-selling medium commercial vehicle for three years in succession and is probably Ford's most profitable vehicle in Europe.

The lack of body panels and transmissions from Halewood closed production of Transit vans at Southampton from January 26. Some 2,500 of the 2,800 workforce are now laid off with the loss of 375 Transits a day.

By the middle of last week the lack of body panels from Halewood had also halted production of Transits at Genk, Belgium (transmissions for the Genk Transits come from Duren, West Germany) with a further 3,000 workers off and the loss of 360 vehicles a day.

Yesterday all production of Ford's Sierra model at Genk was also stopped leading to the lay off of a further 7,000 workers. This stoppage was caused by earlier disruptions to the supply of engines from Dagenham caused by the rash of unofficial actions that preceded the final vote in favour of Ford's proposed two-year pay deal.

The engine shortage was described by Ford of Europe as a "hiccough" and Sierra output was due to resume at Genk today.

The temporary closure of the Genk line shows the vulnerability, however, of Ford's European production which is highly integrated and dependent on the UK for a variety of components, which are produced at British plants.

Ford's Bridgend engine plant, where the company is investing around £725m, is the sole European source for its so-called CVH 1.4 and 1.6 litre petrol engines, which are used in the Escort and Orion cars produced at Valencia, Spain, Saarlouis, West Germany, and Halewood, and in the Fiesta produced at Valencia, Cologne and Dagenham in the UK.

Dagenham is the sole European source for Ford's new 2 litre twin cam engine used in the Sierra at Dagenham and Genk and in the Granada/Scorpio produced at Cologne. Dagenham is also the sole European source for all Ford's diesel engines, the 1.6 and 1.8 litre engines used in the Escort, Orion and Fiesta models, and the 2.5 litre direct injection diesel engine used in the Transit van.

Ford's Belfast plant is a major source for fuel system components for Europe. All Ford-manufactured carburettors, fuel system components, instrument clusters and spark plugs for Europe come from UK plants.

How quickly the strikes by electricians and some maintenance craftsmen will hit further Ford output is impossible to predict as their jobs are often in maintenance, and their absence will first be felt when there are system failures.

Unions shun offer by Airbus partner on working hours

By John Gapper, Labour Editor

UNION LEADERS yesterday rejected an offer from British Aerospace (BAe), a partner in the European Airbus consortium, of a 37-hour working week at its strike-hit plant in Preston, north-west England, in return for employees agreeing to work four extended shifts a week from next year.

The draft agreements emerged after 14 days of talks with local union leaders aimed at ending an 18-week strike. BAe has been urged by Airbus Industrie to stop disruption caused by strikes at its Preston and Chester plants.

Talks on a shorter working week are still being held at BAe's strike-affected plants at Chester and Kingston-upon-Thames.

Assembly of Airbus passenger aircraft at Toulouse, France, which rely on BAe wings, has been badly affected by the Chester strike in particular.

The campaign for a shorter working week in the engineering industry was boosted by a 37-hour agreement covering 3,000 workers at Rolls-Royce Motors, the luxury car manufacturer, in Crewe which includes a 10.8 per cent pay increase.

Leaders of the Confederation of Shipbuilding and Engineering Unions (CSEU) backed a vote against the BAe offer by local union leaders.

Strikers would have received lump sum payments of up to £420 on returning to work.

The 39-hour week of manual workers at Preston and two other nearby plants in BAe's military aircraft division would have been cut by an hour immediately.

A year after the return to work, the working week would have been cut to 37 hours but employees would then have had to work "any pattern of four day shifts or night shifts" required by the company.

CSEU leaders said the proposed deal was unacceptable because it would not have cut the working hours of 650 white-collar staff on strike at Preston, and because of the conditions on new working hours for manual workers.

Mr Alex Ferry, CSEU general secretary, said local union negotiators would return to BAe "to tell them they must be more realistic." But the draft deal will still be put to a mass meeting at Preston on Monday.

The CSEU has already reached 29 shorter working week agreements, including those at plants all previously hit by strikes owned by Smiths Industries, Rolls-Royce and NEI-Parsons.

The BAe draft agreement included the abolition of tea breaks at the three plants. Meal breaks would also have been staggered and the company would have operated on strict "bell-to-bell" working – not stopping work until the end of a a shift is signalled.

The Rolls-Royce Motors agreement, which Rolls-Royce said meant a 9.5 per cent pay increase, includes a one-hour cut in the working week from July and a further one-hour cut on January 1 1991.

In return, unions agreed to increase production of Rolls-Royce cars from 60 to 74 a week. All pay is being raised by 10.33 per cent.

Outstanding consumer credit levels fall for first time on record

By Rachel Johnson

OUTSTANDING consumer credit has fallen for the first time since records began, providing the City of London yesterday with clear evidence that high interest rates were beginning to bite.

British consumers paid off more than they borrowed in December, the Central Statistical Office said yesterday. Final revisions to December's retail sales figures, also released by the CSO yesterday, emphasised the consumer's retreat in the face of high interest rates.

The total amount of outstanding consumer credit agreements in December fell by a seasonally adjusted £39m - to £26.74bn.

The fall came in sharp contrast to the increase of £208m in November in consumer borrowing from building societies, finance houses and on bank credit cards. Until December's reversal, British consumers increased their borrowings by an average of £265m a month.

Spending at main retail outlets in December turned out to be less buoyant than had previously been estimated. The CSO also revised down slightly the rate of growth in so-called 'High Street' spending in November.

December final retail sales rose by 1.9 per cent, meaning that the volume of sales grew by just 2.1 per cent over the whole of last year. The CSO said this represented the lowest annual growth since 1982.

Even sales of food - the sector traditionally most impervious to any slowdown in spending - fell by 0.5 per cent in the three months to December.

The City of London took yesterday's news as a positive sign that the pace of economic expansion had slowed. Mr Neil MacKinnon, an economist at Yamaichi International, said : "The authorities will be pleased that high base rates are having such an effect on consumer psychology in the run up to the Budget."

The drop in the outstanding credit level indicated that cardholders were paying off their credit card bills to avoid interest charges, analysts said.

Mr Nigel Richardson, economist at Warburg Securities, said: "The only reason retail sales have not slumped completely is because real earnings growth is buoying up spending."

The CSO said the rise in the broader range of consumer lending activities was £800m in the fourth quarter, compared with £1.2bn in the third quarter. The broad range includes credit advanced by banks and retailers. The total amount of credit outstanding, on the broader range, was £46.9bn at the end of last year.

The revised level of the index of retail sales volume in December was 123.4 (1985 = 100), compared with 121.3 in November.

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Inspectors report poor standards in schools

THE POOR STATE of England's schools, with two-thirds of secondary school buildings described as unsuitable, is affecting the quality of pupils' work, according to a report published by the schools' inspectorate yesterday, writes Emma Tucker.

The report said the lack of specialist accommodation and shortages of equipment were particularly bad in science and technology and were resulting in "serious problems" of low and under-achievement.

In higher education, the polytechnics were in particularly bad repair with two-thirds of them suffering from poor maintenance and having to use old buildings that were unsuitable.

The inspectors' report found that teacher shortages continued to be a problem. So far the system had survived by either using poorly qualified teachers in schools, or by not offering certain subjects.

However, the report said this could not continue with the implementation of the national curriculum as schools would then be obliged to offer certain core subjects.

The judgment that teaching standards in 30 per cent of schools were found to be poor or very poor was "particularly troubling," the report said.

It added: "Those figures, if replicated throughout the system, represent a large number of pupils and students getting a raw deal."

Mr John MacGregor, Education Secretary, said: "The report shows that in some areas we still have a long way to go. There is much that is good. There is also much to do."

Labour opposition spokesman, Mr Jack Straw, said the report described an education service in serious crisis after 10 years of Conservative rule. Mr Doug McAvoy, general secetary of the biggest teachers' union, urged parents to take Mr MacGregor to court for failing to provide proper schooling.

Jesse Jackson: "useful" talks

Thatcher rejects Jackson's call on SA sanctions

By Michael Cassell, Political Correspondent

MRS Margaret Thatcher yesterday firmly rejected a call from the Reverend Jesse Jackson, the former US presidential candidate, to support the maintenance of sanctions as the best way of ending apartheid in South Africa.

The 90-minutes of "useful and thorough" talks at Downing Street came on the same day the Government pressed home its determination to resume high level contact with South Africa, following the wide-ranging reforms announced on Friday by Mr F W de Klerk, the South African President.

After yesterday's Downing Street talks, the Prime Minister and Rev Jackson said they were united in wanting to see the end of apartheid but "agreed to differ" over the most effective method for achieving their objective.

Mrs Thatcher pressed home her belief that recent events in South Africa had justified the British Government's approach to the issue while Rev Jackson stressed the need to maintain pressure on the South African Government, despite the latest package of reforms.

Before meeting Mrs Thatcher, Rev Jackson condemned apartheid as "immoral and unproductive" and said sanctions should stay in force until the same day the system was abolished.

BUSINESS LAW

Czechoslovakia: gate to the east

By A.H. Hermann

Mr Andrej Barcak, the Czechoslovak Minister of Foreign Trade, believes that to facilitate the transition to a market economy, it will not be enough simply to establish a few free trade zones, "the whole country must become a free trading zone!" Czechoslovakia must replace its oversized steel and heavy engineering industries by high-technology industries, less demanding on energy and raw materials.

To achieve this quickly it will need the co-operation of western industry. In return, their Czech partners will help them to enter the vast Soviet market.

The Soviet trade debt to Czechoslovakia now amounts to about $2bn. It could be repaid by increased deliveries of oil and natural gas, badly needed to replace sulphur rich lignite burned in Czech power stations with disastrous environmental consequences. But Mr Barcak has little doubt that continued Soviet deliveries will require payment in hard currency or in machinery of hard currency standard.

The recent Comecon meeting in Sofia, approved, in principle at least, a move towards trading at world prices and to payment in hard currency. There is no doubt that it would be a shock to the Czech economy if Soviet supplies of natural gas and oil had to be paid at the higher world price, while the pricing of machinery supplied by the Czechs, with no market in the West, would be at the mercy of the Soviet buyers.

The effect of this particular trade handicap could, however, prove beneficial in the long run, if it forced the Czech engineering industry to update its production as soon as possible to make it competitive in western markets. The immediate pain could alleviated if the Soviet Union agreed to pay compensation for the distortion of the Czech economy at Moscow's orders, as suggested at the Sofia meeting.

Indeed, there seems to be a better argument for justifying the Czech claim. The Czech surplus on its clearing account in Moscow used to be repeatedly written off as Czech "investment" in the Tjumen oil field, in Krivoj Rog iron ore mines or in the development of Soviet non-ferrous metal production. Official statements always stressed that these "investments" would assure Czechoslovakia ample supplies of oil, gas, ore and non-ferrous metals at guaranteed prices. The Czechs seem to have case for insisting on "guaranteed prices", or on repayment of their "investments".

If they are very lucky, the price of oil and gas may fall or new pipelines may reach Czechoslovakia from other sources. But whatever happens, Czechoslovakia will still have to restructure and modernise its industry to earn hard currency. Western firms which take part in its economic renaissance, may gain a base there from which to supply eastern Europe, which is likely to become the world's fastest growing market as soon as it is freed from the shackles of the command economy.

How safe is investment in Czechoslovakia? The Czechoslovak Government is ready to guarantee repatriation of investments and transfer of profits under bilateral agreements – two have already been concluded with France and Belgium and a third is being negotiated with Austria. The security of investments will therefore depend primarily on the ability of the government to meet its obligations.

Czechoslovakia is the least indebted of the formerly communist countries of Europe. Mr Rostislav Petras, Director General of the Czechoslovak Commercial Bank, says its foreign debt of about $7bn is fully covered by Czech claims abroad, and that its servicing requires only 15 per cent of Czechoslovak foreign trade proceeds.

Of the $7bn, $2bn is owed by the Soviet Union and is likely to be repaid sooner or later by deliveries of oil and natural gas. Mr Petras believes it should be possible to recover the remaining $5bn, owed by other Comecom and Third World countries, with a discount of about 35 per cent.

His optimism about the repayment debts owed to Czechoslovakia by Comecon and Third World countries is not supported by the experience of London banks which anticipate much higher write-offs on their loans to Third World countries.

The present Czech Government intends to continue the prudent policy of the previous administration in refusing to seek or accept sovereign loans. They encourage only enterprise to enterprise credits for co-operation projects, including direct investment in Czechoslovakia.

Such opportunities are open not only to big groups but also to medium-sized western companies. On the Czech side there will be four types of enterprise; state owned, co-operative, companies limited by shares, and firms in individual ownership. It is anticipated that shares will be held partly by employees of the enterprise and partly by the public and foreign investors.

Some of the agricultural co-operatives are in fact makers of machinery and electrical and electronic products. There is a great need for increasing the production of consumer durables and for upgrading food processing and packaging.

At the other end of the scale, the big engineering enterprises look for co-operation in third markets where western partners would be ready to invest in projects capable of absorbing certain Czechoslovak products formerly supplied to Comecon countries or use capacities which became available by reduced production of armaments.

In other cases the Czechs could supply the heavier components of machinery for completion by the western partner with more sophisticated parts, mechanical or electronic.

Finally, the Czech engineering, electrical, and consumer durable industries, are in search of partners with complementary product lines for exchange or joint distribution.

Hand in hand with the diversification and a certain privatisation of industrial ownership should go the dismantling of the monopoly of foreign trade. This, indeed, is the declared policy of the new government.

However, Mr Barcak, a former Motokov executive, says he would rather resign than accept the radical policy formulated by Mr Valtr Komarek, the present economic supremo.

"I might concede the monopoly of foreign trade in consumer goods and in some other specific instances but not across the board and certainly not in the engineering industry," he says.

He gives the impression he will fight hardest to preserve Motokov's monopoly over the products of the automotive industries, but the general direction of the new economic policy works against him.

In all probability the monopoly of foreign trade will be dismantled gradually and selectively. A number of industrial enterprises have already been given the right of trading abroad.

Diversification of industrial ownership, dismantling of the foreign trade monopoly and the promotion of joint ventures and other co-operation between Czech and western firms would not work with the present system of fixed prices, unrelated to costs, and of equally unrealistic exchange rates.

The government took the first step towards market realism when, with effect from January 12, it radically devalued the Czechoslovak Crown, bringing the commercial rate to half of its previous notation, so that is now is at KCS 26.19 to £1 and the tourist rate to KCS 53, very close to the black market value of the pound.

On the whole, it seems that the transition to a market economy keeps in step with the democratisation of Czechoslovak public life and is backed by a well-consolidated agricultural base which will step up its production for the market as soon as more consumer durables and building materials become available.

West German and Austrian firms have their representatives on the spot, making full use of the geographical proximity and historical familiarity. An Austrian and a French bank have already opened in Prague.

The attitude of some British companies which do not like the complications of joint ventures and reciprocal trade, preferring immediate results and hard currency cash, is well expressed by Mr Laurence O'Keefe, the British Ambassador in Prague.

"We may well have to wait until the Czechs sort themselves out and are able to pay in hard currency," he says.

The trouble with this attitude is that in the five to six years this may take, there will be no room in that market for British entrants.

The author is D.J. Freeman & Co Senior Research Fellow in International Trade Law at Queen Mary and Westfield College, University of London.

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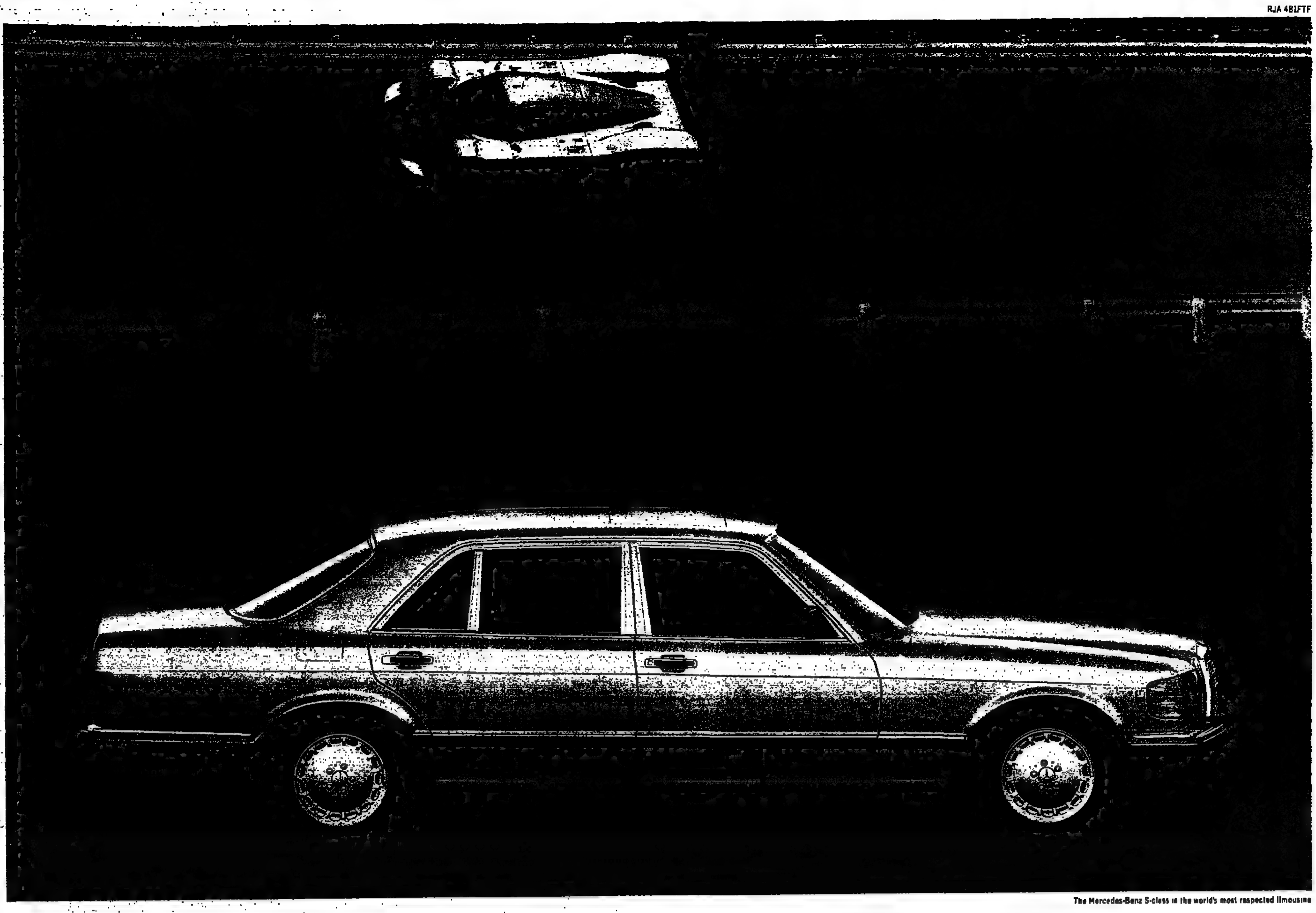

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FT LAW REPORTS

Aid to Mareva order removed

SOCIEDADE NACIONAL DE COMBUSTIVEIS DE ANGOLA UEE AND OTHERS v LUNDQVIST AND ANOTHER
Court of Appeal (Sir Nicolas Browne-Wilkinson Vice-Chancellor, Lord Justice Staughton and Lord Justice Beldam):
January 31 1990

A DEFENDANT to civil proceedings for conspiracy to defraud who is restrained by Mareva injunction from dealing with his foreign assets up to a specified value, may claim privilege against self-incrimination in response to a request to disclose their value if he can show reasonable grounds to apprehend danger that disclosure would lead to criminal charges in the UK.

The Court of Appeal so held when allowing to a limited extent an appeal by defendants, Mr Stellan Lundqvist and SL Oil Executive Services AG (SLOES), from Mr Justice Leggatt's decision upholding an order for *disclosure of foreign* assets made against them on the *ex parte* application of the plaintiffs, Sociedade Nacional de Combustiveis de Angola UEE (Sonangol UEE), Sonangol Ltd and Sonangol SA.

HIS LORDSHIP said that Sonangol UEE was the national oil company of Angola. It controlled Sonangol Ltd, a UK company, and Sonangol SA, a Liberian company. The role of *Sonangol Ltd between January* 1983 and February 1987 was to arrange the sale of oil exported from Angola.

Mr Stellan Lundqvist effectively ran the operations of Sonangol Ltd. He acted as an employee of SLOES, a company which he controlled. SLOES provided consultancy services for Sonangol Ltd.

The Sonangol companies' case was that Mr Lundqvist conspired with others to defraud them of at least $88m.

That was said to have been done by arranging the sale of Angolan oil or oil products at less than market price, and then arranging a resale in such a manner that profit enured to the benefit of Mr Lundqvist or companies he controlled.

The defence was that those transactions were approved at the highest level in Angola to provide *funds* for its projects.

On May 19 1989 the Sonangol companies obtained an *ex parte* order from Mr Justice Phillips, restraining Mr Lundqvist and SLOES from disposing of or dealing with any of their foreign assets, save insofar as the value exceeded $90m.

By paragraph 2 of the order Mr Lundqvist and SLOES were required to give details of the "value and whereabouts" of all "*his*" *assets* wherever situated.

Mr Lundqvist and SLOES applied to set aside or discharge the order on a number of grounds *including* privilege against self-incrimination.

Mr Justice Leggatt dismissed the application. He gave leave to appeal in respect of disclosure and privilege.

Issue A was whether an English court would have jurisdiction to try Mr Lundqvist on a charge of conspiracy to defraud.

Section 14(1) of the Civil Evidence Act 1968 provided that a person's right in non-criminal proceedings to refuse to answer any question or produce any document if to do so would tend to expose him to proceedings for an offence, "(a) *shall apply only* as regards criminal offences under the law of any part of the UK . . ."

For that purpose offences "under the law of" England were treated as the same as offences triable in an English criminal court.

The principal aspect of Mr Lundqvist's alleged fraudulent conduct might have been sending messages to Sonangol UEE in Angola, or agreeing prices on its behalf. Whatever he did was done in England. It was *agreed by the parties* that the conduct alleged against him could give rise to his being prosecuted in the UK on a criminal charge.

Issue B was whether section 31 of the Theft Act meant he was in no danger of self-incrimination.

Section 31 provided that no statement made by a person in answering a question put to him in proceedings for the recovery or administration of property, or an account of property, "shall in proceedings for an offence under this Act be admissible in evidence against that person."

Whether the charge were conspiracy to defraud at Common Law or statutory conspiracy to commit an offence under the Theft Act, the conspiracy itself would not be an "an offence under this Act" (*see Cuthbertson [1981] AC 470*, Misuse of Drugs Act 1971).

Section 31 did not provide adequate protection for Mr Lundqvist or remove the privilege against self-incrimination.

Issue C was whether SLOES could be prosecuted in the UK.

SLOES was a Liberian corporation, and there might be legal or practical difficulties in prosecuting. But the order challenged in the appeal required SLOES to answer by Mr Lundqvist as to the value and whereabouts of "his" assets. Even if "his" was *altered to "their,"* Mr Lundqvist was entitled to claim privilege if he could show that compliance would *tend to incriminate him.*

Issue D was as to the standard of proof required before the court would give effect to privilege against self-incrimination.

The test was that there must be grounds "to apprehend danger to the witness," and those grounds must be reasonable rather than fanciful (see *R v Boyes (1861) 1 B&S 311, 330*).

Other points that emerged from the cases were: (i) the affidavit claiming privilege was not conclusive; (ii) the deponent was not bound to go into detail if to do so would deprive him of protection; (iii) once it appeared that the witness would be in danger, great latitude should be allowed him in judging for himself the effect of any particular question; (iv) the privilege was not available where the witness was already at risk and it would not be increased if he were required to answer; (v) if one step had a tendency to *incriminate him he was not to* be compelled to answer: it was a link in the chain of proof.

Issue E was whether the standard of proof was achieved in the present case.

It was plain that "the fact of the witness being in danger" had been established in Mr Lundqvist's case. The question was whether the value and whereabouts of his overseas assets would form a link in the chain of proof against him on a criminal charge. He was to be allowed "great latitude" in judging that for himself. And it appeared distinctly probable that the value of his assets might be such a link – not that it would be.

The claim for privilege was upheld insofar as Mr Lundqvist and SLOES were required to state the value of his assets overseas.

The same reasoning did not apply to the nature or situation of those assets.

That information was surely innocuous; or at any rate there were not at present reasonable grounds to apprehend danger to Mr Lundqvist if it was disclosed.

Issue F was whether Mr Lundqvist and SLOES were "trifling with the court" in making their claim to privilege (see *Adams v Lloyd (1858) 3 H&N 351, 362*).

Mr Lundqvist and SLOES, by defence and counterclaim, set *up an affirmative case* as to the innocence of their transactions. The case had been largely verified by solicitor's *affidavit.*

The companies said there was inconsistency in Mr Lundqvist's claiming privilege against self-incrimination.

In his affidavit Mr Lundqvist said that "on the plaintiffs' case" he was exposed to criminal proceedings.

It was the companies who said that Mr Lundqvist was fraudulent, so they could not say he was not telling the truth when he claimed he would be incriminated. If they *did, the inconsistency* was theirs, not his.

The appeal was allowed to the extent of deleting "value and" from Mr Justice Phillips's order.

LORD JUSTICE BELDAM gave a concurring judgment.

THE VICE-CHANCELLOR also concurring, expressed concern at the implications of the *decision. If Mr Lundqvist* had a valid claim to privilege on discovery in aid of a Mareva injunction it was inescapable that he had an equally valid claim to privilege on discovery in the main action. In many fraud cases proof of fraud and discovery of assets depended on the courts' ability to require the defendant to make disclosure. *He hoped that Parliament* would consider, as a matter of urgency, extending the section 31 provisions to remove privilege against incrimination in relation to all civil claims relating to property (including damages claims), but on the terms that statements in documents disclosed were not admissible in criminal proceedings, *including conspiracy to* defraud.

For the companies: Alan Newman QC and Antony White (Simons Muirhead & Burton). For Mr Lundqvist: Anthony Clarke QC and Simon Rainey (Clyde & Co).

Rachel Davies
Barrister

Franchising

Clones needed to replicate a winning formula

Charles Batchelor reports on a way of sharing the burdens of growth

Ivan Calhoun had been in business for just 18 months when he began to realise that there was more work to be done than his own workforce could handle. PVC Vendo (the PVC stands for Professional Vehicle Cleaners) could deal with jobs within a 40-mile radius of its base in Wembley, West London, but some of its customers wanted their vehicles cleaned in depots up to 100 miles away.

"We knew that at some stage we would start getting requests from the north of the country," says Calhoun. "We thought about opening branches but we would have needed to take on managers and more staff. That would have given us the problem of how to keep people motivated and of replacing them if they left."

Calhoun decided to franchise his business, to take on independent businesspeople who would run their own operations within a format laid down by PVC Vendo. The franchisees would make a down payment of £10,950 and pay 20 per of their turnover in return for equipment, training and the administration of their invoicing.

Calhoun set up three separate pilot locations to see if they could operate independently. With the help of a consultant specialising in franchising he spent nine months writing a 160-page training and operations manual to ensure that his franchisees all worked to the same plan.

In February 1989, after advertising for applicants, interviewing and investigating individuals' backgrounds, Calhoun signed up his first franchisee. Twelve months later he has 23 franchised outlets as well as 12 company-owned branches. PVC Vendo has grown from 13 employees and annual turnover of £250,000 in mid-1987 to a staff, including franchisees, of 50 and sales of £1.25m.

"Franchising is particularly suited to the small company as a means of achieving growth," says James Watson, franchise director of Apollo Window Blinds and chairman of the British Franchise Association (BFA). "Franchisees put money into the business which the small firm may not have. They also bring their energy and their motivation and allow the small firm owner to grow fast before other people pinch his ideas."

The disadvantages for the franchisor are that he has to share his profits with his franchisees and he hands over part of the responsibility for running his business to outsiders. Both sides put their signatures to a legal agreement but there is the risk that a single badly-run franchise can damage the franchisor's national image.

For many people the benefits have outweighed the disadvantages and franchising has undergone rapid growth in Britain in recent years. The combined turnover of all franchised businesses rose to £4.7bn in 1989 from £3.8bn the year before and just £850,000 in 1984. The 295 varieties of franchising on offer employ 185,000 people in 16,600 outlets, according to the latest annual National Westminster Bank/BFA survey.

But this expansion has not been without its problems. Several apparently well established franchisors have failed in recent years, leaving franchisees without the support on which they depended and in some cases depriving the franchisees of their savings and their livelihood. The image of the industry has not been helped by the fact that some of these franchisors have been BFA members.

James Watson says that the BFA does "a very good job" but acknowledges that its procedures are not watertight. "When franchisees get into trouble there is a lot of noise and people blame franchising. But these things happen in business generally. We do need to get tougher, though, and we are looking at the possibility of re-accrediting existing members on an annual basis because people and their circumstances can change."

Just over 8 per cent of franchisors "withdrew" from the business in 1989, according to the NatWest/BFA survey. Of these just over three quarters were "voluntary" and the rest were "forced." This appears to suggest a survival rate slightly better than that of small businesses generally – one in three new businesses fails in the first three years – but does not confirm some of the wilder claims that franchising gives a 90 per cent chance of success.

"Managing a franchise empire is an elusive skill," comments Chris Walker, franchise manager at LLoyds Bank. "Companies both big and small can get it badly wrong." Many of the banks have departments which vet franchisors for the internal guidance of those of their branch managers lending to franchisees. However, a decision to lend does not amount to a formal stamp of approval for the franchise operation, says Tony Ellingham, franchise manager at NatWest.

So what must you do to avoid the more obvious pitfalls of franchising?

"Make sure in the first place that your business is franchisable," says Tony Scott, franchise development manager at Exchange Travel, a Hastings, East Sussex-based travel agency which now has 80 franchised outlets and 50 company-owned branches. "There has to be a unique selling point, a gimmick which prevents the franchisee from saying: 'Why don't I just do this myself?'"

The advantages which Exchange Travel could offer were threefold. It had the financial muscle and industry reputation needed to persuade travel industry organisations such as ABTA and IATA to grant licences to its franchisees; it was able to negotiate property leases for its franchisees; and it could "bulk buy" at favourable rates from airlines and travel operators.

Franchising has, over the past five years, allowed Exchange Travel to establish a national presence which would have been impossible just using its own resources. "As a small, family-owned company, we faced the choice of retreating to a specialised or regional market or of franchising as a way of remaining a national company," says Scott.

If a company decides that its product or service is franchisable it must test it by running one or more pilot operations independent of head office. "In a well-established business, there will be a lot of non-standard factors such as local knowledge, cheap premises and the influence of the proprietor, all of which might be impossible to repeat elsewhere," says Walker.

Once the pilot venture proves successful the franchisor must find franchisees. Exchange Travel employs a computerised psychometric testing system to find the one person in 100 it believes fits its bill. "You want people with commitment but not entrepreneurs who want to do everything themselves," says Walker.

Some franchised businesses take off very quickly but even careful preparation is no guarantee of success. Franchisors must be wary of regarding franchising as a route to quick profits, the experts warn.

"Franchising is a way of developing your business using other people's money but you have to nurture your franchise for the first two or three years," warns Chris Walker. "That will not be a very rewarding time financially. You might have opened as many managed outlets in that time and made greater short-term gains."

"Too many franchisors go into it without sufficient funds to provide back-up," says Danielle Baillieu, a former franchisee and founder of Streetwise Franchising, a support organisation for franchisees which is now expanding its advice service to help franchisors too. "Franchisors need £100,000-£200,000 to carry out a feasibility study, draw up contracts and write a training and operations manual. If he or she balks at that he should not be in business."

Mike Bedford, founder of Duty Driver, a Twyford, Berkshire-based company which provides a chauffeur service to company executives, began to franchise his business 18 months ago and reckons it will take at least another six months to start making profits. For Bedford franchising was preferable to bringing in outside shareholders to fund growth, or simply growing more slowly and running the risk that imitators would come along.

"We don't make money from selling the franchises (for £15,000 each) but only from the turnover of the franchisees," says Bedford, who takes 21 per cent of his franchisees' sales to cover marketing and accounting support services.

By centralising accounts, Bedford is able to keep a tight control of the finances but he must also bear the cost of what he calls "double-factoring" for his franchisees. Paying his franchisees' drivers and his franchisees their share of turnover each month before the ultimate customers have paid their bills means Bedford must find large amounts of working capital.

The decision on how much work should be carried out centrally by the franchisor and what should be left to the franchisee is an important one. If the franchisor treats its franchisees as employees rather than as independent businesspeople it is likely to create friction. "You have to guard against doing too much," says James Watson. Duty Driver starts by closely monitoring its franchisees but grants them more autonomy as they gain experience.

Alan Paul, a hairdresser and beauty products retailer which last year obtained a USM quote, monitors its hairdressing franchises very closely, according to Harry Miller, franchise director. "We have to have strict controls," he says. "It is a fashionable business with lots of young people and you can't afford to let it get out of hand. We have to make sure that standards don't fall. The only way to police it is to have people going round."

An essential requirement for keeping tabs on franchised outlets is for the franchisor to run company-owned branches in parallel. When Apollo Window Blinds added curtains to its range recently it opened a directly-owned shop to test the market. "I wish now we had done it earlier," comments James Watson. "I have learned so much. In fact I spend time working in the shop myself. It's vital to keep in touch with the end-customer."

BFA, Franchise Chambers, Thames View, Newtown Road, Henley-on-Thames, Oxon RG9 1HG. Tel 0491 578049; Streetwise Franchising, Lincoln House, 661 High Road, London N12 0DZ. Tel 01-445 7161.

Ivan Calhoun: tested feasibility by setting up three pilot operations

Venture capital database

By Charles Batchelor

■ The growth of the UK venture capital industry has increased the amount of equity finance available to business but made it more difficult to track down the most suitable source of finance. Until now people looking for funds have relied on personal recommendations or one of the directories of venture capital firms.

A quicker way to track down the ideal venture capital partner may be a computerised database which is being launched this week by Levy Gee, an accountancy firm, and Butterworths (Publishers).

The database lists venture firms' specialist areas of interest by activity and industry.It gives regional preferences, the stage at which a firm prefers to invest, preferred investment size, the return each expects and period for which it expects to invest.

Like all databases, the Levy Gee Venture Capital Database is only as good as the information fed into it; some venture capitalists are declaring their willingness to back most investments. Levy Gee expects the information to become more precise; the database is updated every six months.

The database is available on IBM PC and compatible computers with a 3½ or 5¼ inch disk drive and hard disk. The annual subscription is £245 plus VAT.

Butterworth & Co, 88 Kingsway, London WC2B 6AB. Tel 01-405 6900.

Small Soviet enterprise

■ Moscow State University plans to set up an International Centre for Small Enterprise Development to promote business, scientific and technical co-operation between Soviet and foreign organisations and firms to develop and improve the productivity of small and medium-sized enterprises in the Soviet Union.

The centre will help individuals and groups of people to set up small enterprises and encourage the use of modern methods of production and management.

The working party formed for the task is looking for sponsors in the West to provide facilities and meet running costs. The centre plans to study the application of international small business experience to the USSR; arrange conferences and training courses; and assist co-operation between small businesses in the USSR and abroad.

The centre has already gained sponsorship worth 8m roubles ($12m) from within the USSR and a further $3m backing from Italy. Allan Gibb, director of the Small Business Centre at Durham University Business School (DUBS), has contacted UK companies which trade with the Soviet Union to raise funding.

Contact Professor Allan Gibb, Durham University Business School, tel 091 374 2211 or Dr Alex Louzine, International Labour Office, Turin Centre, tel 010 39 11 69361.

Legal advice on videolink

■ A video link to allow businesspeople access to specialist legal advice has been set up by the chambers of commerce in London and a number of provincial cities. LawLink allows a businessperson in, say, Chester, to put questions to a lawyer in London without having to make the journey.

The London Chamber of Commerce believes it can make use of video-conferencing to help its members, most of them small firms, prepare themselves for the single European single market.

The video link is the idea of John Brebner of Brebner & Co, a London law firm specialising in continental European commercial law, though other lawyers will be added later. The advice is free and fees only become payable if the businessperson requires the lawyer to act for him.

The businessperson sits in front of a large cabinet containing a camera and a video monitor and discusses his problem with the lawyer who appears on the screen. The camera can zoom in on documents which can also be faxed to and from the lawyer's office for editing and signature.

The service is at present available in three chambers but Brebner hopes to have 30 signed up by June.

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National Westminster House,
31 Upper George Street, Luton,
Beds LU1 2RD
Fax (0582) 453640

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Please Write to Box F9561, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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Working capital finance for stock and work in progress.
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Write Box F9552, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

ACQUISITION OR PARTNER SEARCH

Independent international M&A consultancy provides confidential dedicated pan-European acquisition or partner identification, accessing all available databases, market research and broker network contacts.

Contact ALLEN CHEYETTE MA (CANTAB) ACA
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119 Dartmouth Road, London NW2 4ES,
United Kingdom.
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Director required for small company with a growing reputation for handheld computer software for local authorities and private industry. Substantial equity share available to assist the business capture an exciting, growth market.

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BUSINESSES FOR SALE

FOR SALE
The Business and Assets of MEDICAL DIAGNOSTICS LIMITED MOBILE MAMMOGRAPHY

Medical Diagnostics Limited carries out a high quality mobile Breast Screening Service on a national basis.
Its principal features include:

- 6 purpose built mobile mammography units each between 5 and 18 months old, and built to the highest standards, comprising:
  - specially designed 40ft articulated trailer units;
  - on board generator;
  - Siemens Mammomat 2 mammography unit;
  - Agfa Curix compact daylight film processor.
- Regional network of highly qualified radiographers fully trained in mammography operating on full or part-time basis.
- Computerised storage and retrieval service for films and patient records.
- Modern leasehold office premises in Stamford, Lincolnshire.
- Dedicated data base with demographic details of 12,000 potential client recalls.

For further information please contact the Joint Administrative Receivers, Mr A. R. Houghton or Mr J. P. Richards.

Touche Ross

55/57 High Holborn, London WC1V 6DX.
Tel: 01-405 8799. Telex: 261296 TRCHAN G. Fax: 01-831 2628.
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BUSINESS TRAVEL AGENCY FOR SALE LONDON, EC1

The agency is currently managed as an autonomous unit within a well known PLC. Turnover is approximately £1.5m and increasing. The business, on a going concern basis, is offered for sale including all appropriate operating equipment, ABTA and IATA licences. Principals only please write to

Box H5752, Financial Times,
One Southwark Bridge,
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Retail, wholesale, installations. North West town. Turnover £1.4m. Net profit 180K. Quality 10,000 sq ft freehold premises, 700k + SAV. Tremendous roll-out potential.

Write Box H5759, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

FOR SALE

The Joint Administrative Receivers offer a unique opportunity to acquire the business and assets of a company involved in the manufacture and wholesale of exclusive country wear.

Principal features of the business include:—

- Turnover in 1989 of approximately £1.3 million.
- Prestigious customer base including USA accounts.
- Substantial forward order book.
- Dedicated design and production team.

For further information contact:
Tony Brierley or Jill Barker
Arthur Andersen & Co.,
St. Paul's House,
Park Square,
Leeds LS1 2RJ.
Tel: 0532 438222
Fax: 0532 459240

ARTHUR ANDERSEN & CO.

R.C. COLE LIMITED MAJESTIC FLOWER AND PLANT SALES LIMITED

The Joint Administrative Receivers offer for sale as a going concern the businesses and assets of R.C. Cole Limited a company engaged as flower carriers and commission agents; and Majestic Flower and Plant Sales Limited a company operating as flower wholesalers.

Features Include:

- Compatible businesses
- Combined turnover of approximately £1.75m in 1989
- Leasehold premises, New Smithfield Market, Manchester
- Wholly owned vehicle fleet
- UK and European customer base.

For further information please contact the *Joint Administrative Receiver*
Philip Ramsbottom

KPMG Peat Marwick McLintock
7 Tib Lane, Manchester M2 6DS.
Telephone: 061-832 4221
Fax: 061-832 7265

Graham Brabyn Limited

In Receivership

The business and assets of the company are for sale as a going concern.

The company is based in Redruth, Cornwall and manufactures high quality childrens knitwear.

- Established in 1952
- £1.1 million turnover in 1989
- Potential Autumn 1990 order book of over £½ million
- Prestige High Street and Mail Order customers
- Leasehold premises

All enquiries should be addressed urgently to the Joint Administrative Receivers:

C. J. Barlow and R. W. Birchall
Cork Gully
Mutley House
23 Princess Street
Plymouth, Devon PL1 2HE
Telephone: 0752-686888
Fax: 0752-673514

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Cork Gully

NORTHERN BASED PLANT HIRE LIMITED COMPANY

A plant hire company (mainly operated plant) trading in the expanding North is available for sale.

- Turnover £2.60m - 17 months to 31 March 1989
  Net profit before directors remuneration and pension contributions £396000
- Turnover £1.25m - 6 months to 30 September 1989
  Net profit before directors renumeration and pension contributions £190000

There is also an associated civil engineering limited company which could be offered for sale.

- Turnover £3.44m - 17 months to 31 March 1989
- Turnover £1.93m - 6 months to 31 September 1989
  with reasonable trading profits.

A 2-acre depot with offices near to motorways is available for lease to make an ideal position for Midlands, Southern or European company wishing to obtain a base in the area.

For full details write box H5696, Financial Times, One Southwark Bridge, London SE1 9HL.

DANCO PLASTICS LIMITED IN RECEIVERSHIP

SWIMMING POOL PRODUCTS-AUTOMATIC POOL CLEANER AND DOMES "POOL ROVER"

The Joint Administrative Receivers offer the above business situated in Nottingham for sale.

- Potential Annual turnover £2 million approximately.
- 19,000 sq ft leasehold property
- Large potential market both in the UK and Overseas

For further information write to
I. R. Chisholm, Joint Administrative Receiver.

KPMG Peat Marwick McLintock
St. Nicholas House, 31 Park Row, Nottingham NG1 6GR
Telephone: 0602 483444. Fax: 0602 483401.

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The Joint Administrative Receivers offer the assets of the business for sale.

The Company is a leading tool-making company of Precision Carbide Products in the London SE2 area specialising in:

- Precision Carbide Grinding
- CNC Wire EDM
- CAD System
- High speed Bruderer pressing facility with SPC
- Turnover approximately £1,750,000 per annum
- Substantial Order Book
- Wide customer base with many "Blue-Chip" clients (semi-conductor & electronic industries)
- Highly skilled workforce

Interested parties should contact the Joint Administrative Receivers.
Reference: L3011/EP. Telephone: 01-267 4477.
Telefax: 01-267 1028. Telex: 27806 LEVGEE G.

LEVY GEE

COMMERCIAL CLOCK BUSINESS FOR SALE

EXCELLENT MARGINS

A major player in the building specification market selling through architects, consulting engineers and interior designers wishes to dispose of its interests in commercial clocks.

The clock range has been completely redesigned, and the offer comprises finished clocks, components, tooling drawings etc. and all rights to the designs. Profit margins gross in excess of 68% after trade discounts.

The clock range, however, is not seen as complementary to the main stream business of lighting

Telephone John Foster on 01-894 5522

BUSINESSES FOR SALE

Cosmetic and Toiletries Manufacturers

NATURAL BEAUTY PRODUCTS LTD.
BRIDGEND, MID GLAMORGAN

The business and assets of the above company are offered for sale by the Joint Administrative Receivers. The company specialises in the manufacture and supply of beauty products and toiletries to retail outlets, the Beauty Trade and the general public.

Principal assets include:

- Modern leasehold premises
- Respected trade names
- Plant and machinery
- Trained workforce
- Approx. annual turnover £1.5m.

For further details, contact the Joint Administrative Receiver, Jack Lewis FCA, Ernst & Young, Pendragon House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE Tel: 0222-484641. Fax: 0222-390565.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

For Sale

Highly Profitable Sub Contract Fabricating Engineering Company. Serving an Automotive, Electronic and General Engineering Customer Base. Prototype and Low Volume Production Runs. Ongoing Management. South East. Turnover Approximately £2M.

Write Box H5781, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

FOR SALE

An excellent business opportunity a well equipped Carton Manufacturing Company producing quality name printed cartons established client base. Estimated turnover for 1990

£1 million

Write Box No H5762, Financial Times, One Southwark Bridge, London SE1 9HL.

For Sale

Established Bakery. Ongoing Management. Located West Midlands. Freehold Property.

Write Box H5767, Financial Times, One Southwark Bridge, London SE1 9HL.

LEONARD CURTIS

FOR SALE

THE JOINT ADMINISTRATIVE RECEIVERS
KEITH D GOODMAN FCA and PHILIP MONJACK FCA

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of companies including STEELE'S GLASS LIMITED and HOLLOW SEAL GLASS COMPANY LIMITED This long established and well known group operates a glass tempering and merchanting business, together with production of glass products and double-glazed units, with a group turnover of approximately £5 million per annum. The main features and assets include:

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- Sophisticated and modern glass cutting machinery, tempering furnace, edging line and double-glazing line.
- Loyal and skilled workforce of some 70 employees.
- Established customer base with order book.
- Computerised production planning and invoicing facilities.
- Valuable patents and trademarks for glass products and glazed observation panels.

Principals only apply to: Leonard Curtis & Co, PO Box 553
30 Eastbourne Terrace, London W2 6LF
Tel: (01) 262 7700 Fax: (01) 723 6059

Ref: DG/3

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Write Box H5758, Financial Times, One Southwark Bridge, London SE1 9HL.

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Refurbished Quality Accommodation
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Current Turnover £6,500 per week

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London Manchester Liverpool Bristol Southampton

FOR SALE

A company specialising in the retailing of electrical products is available for sale.

- Based in South of England.
- Turnover approximately £5 million per annum.
- Trades from a range of shops in mainly high street locations.
- Freehold and leasehold outlets.

For further information please contact Paul Zimmerman.

Touche Ross
Corporate Finance
Hill House, 1 Little New Street, London EC4A 3TR.
Tel: 01-936 3000. Fax: 01-583 8517.

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Ross on Wye, M50, (M5/M4), 2 miles.

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Details: Humberts National Leisure Division
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Leisure Industry, Hotels and Licensed Property Consultants

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The business and assets of the above company are available for sale as a going concern.

- Specialist manufacturer of transformers for microwave ovens.
- Operating from modern 20,000 sq ft premises in South Wales, standing on 1.8 acres.
- Annualised turnover of approximately £5m, employing 160 persons.
- Strong European customer base with significant order book. This company is the second largest manufacturer in its field, supplying to leading microwave manufacturers.
- Modern flowline manufacturing facility.

For further information, please contact:
Derek Howell, Price Waterhouse, Haywood House North, Dumfries Place, Cardiff CF1 4BA. Telephone: 0222 378255 Fax: 0222 374124.

Price Waterhouse

Briquetting Facility for Sale

Briquette Technology Limited, Scunthorpe has developed a contract briquetting facility which is now offered for sale.

- Fully operational, capable of 2–10 tonnes/hour
- Plant consists of briquette press line producing pillow-shaped briquettes (33 x 29 x 18mm), drying line, ancillary feed equipment and extensive covered product storage etc.
- Freehold premises offering excellent port, road and rail connections
- Experienced management team and workforce
- Development of market/products substantially underway

For further details contact:
M.J. Moore,
Coopers & Lybrand Deloitte,
5 Albion Place, LEEDS LS1 6JP.
Tel. 0532 431343.
Fax. 0532 424009.

Coopers & Lybrand Deloitte

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FOR SALE

MANUFACTURER AND WHOLESALER OF CONSTRUCTION RELATED FIXINGS, BASED IN WEST MIDLANDS

High quality reputation on product and service with annual sales of some £4 million and customer base of 700 distributors.
Occupies freehold and leasehold sites and employs some 80 staff and direct management.
Offers are invited and sale would include all plant, equipment and stock.

Contact:
Ian Hunter, Director
Chigate Communications Limited
Fountain Court, Steelhouse Lane, Birmingham B4 6DR
Tel: 021 233 3050

- ACQUISITION OPPORTUNITY -

NORFOLK BASED BOAT BUILDING/CHANDLERY BUSINESS (LTD. CO.)

- Annual T/O around £1.25 mill;
- Profitable;
- Same ownership for past 20 years;

Nett Co. assets over £600,000 (including freehold), Retirement sale; The owner is willing to consider retaining his shares in the Co. selling just the fixed assets/goodwill of the business with the new owner being given and option to acquire the freehold at a later stage.

Write for details to Box H5729, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

SMALL SPECIALIST MANAGEMENT CONSULTANCY

Private limited company. Unique brand name and market position. Blue chip client list. Very high profile. International reputation. Capital injection now required to maximise full potential.

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JMJ J. M. Jones & Sons (Holdings) Limited

In Receivership

FOR SALE — in whole or part, the businesses and assets of member group companies of one of the U.K.'s top 5 Private Building Contractors based primarily at Maidenhead, Berkshire and with locations at Bath and Oxford.

Businesses and assets available consist of:—

J. M. Jones & Sons (Holdings) Ltd

Holding Company
Maidenhead

- New Leasehold Office Premises consisting of 3 storey building containing 53,000 sq. ft. of office accommodation (of which 28,000 sq. ft. is sub-let)
- Recently refurbished freehold, fully let office building comprising 11,000 sq. ft. on 4 floors, producing £290 K per annum.

J. M. Jones (Construction) Ltd

Building Contractors
Maidenhead

- Annual Turnover £32m
- B1/Hi-Tech office and business space construction
- 40 Current Contracts

J. M. Jones & Sons Ltd

Building Contractors
Maidenhead and Oxford

- Annual Turnover £60m
- Small/General Works Division
- 20 Current External Contracts

J. M. Jones & Sons (Joinery) Ltd

Joinery Contractors
Bath and Oxford

- Annual Turnover £1m
- Leasehold Factory
- Plant & Machinery
- Stocks & Work in Progress

J. Long & Sons (Bath) Ltd

Building Contractors
Bath

- Annual Turnover £10.7m
- Long Leasehold Premises
- Plant & Machinery
- Stocks & Work in Progress

Southern Heating Ltd

Heating & Ventilating Engineers
Maidenhead

- Annual Turnover £5.2m
- Stocks & Work in Progress
- Order Book

Herbert & Lascelles Ltd

Electrical Design & Installation
Maidenhead

- Annual Turnover £3.5m
- Stocks & Work in Progress
- Order Book

Markham Developments Ltd

Property Developers
Maidenhead

- Development Projects in hand to a value of c£200m

For further information please contact the Joint Administrative Receivers, Michael Anthony Jordan and Malcolm John London at the offices of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.
Telephone Number: 01-606 7700 Fax Number: 01-606 9887 Telex: 884730 Corkgy G

Cork Gully

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BUSINESS FOR SALE

PUB COMPANY FOR SALE

Well established Company situated in the South of England is now for sale as the owners wish to pursue other interests. With an excellent profit growth record and houses maintained to a high standard, this is an unusual opportunity. *Turnover is in the region of £3.7m* Serious enquiries should write to

box H5748, Financial Times,
One Southwark Bridge,
London SE1 9HL.

VIDEODEM INFORMATION SYSTEMS LIMITED

In Receivership

Manufacturer of interactive video systems

The Receivers offer for sale the business and/or assets of the company which commenced trading in 1984 developing and manufacturing interactive video systems. The Company has developed certain proprietary products which are available for sale. Customers include certain well known household names.

For further particulars, please contact the administrative receivers: M J Moor and *D J Waterhouse (please quote ref 4059), Cork Gully, Albion Court, 5 Albion Place,* Leeds LS1 6JP. Telephone 0532 457332, Fax 0532 424009.

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PORTABLE ACCOMMODATION MANUFACTURER

Opportunity to acquire a fast growing, privately owned profitable group of companies engaged in the manufacture, sale and hire of portable accommodation units.

Write Box H5751, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Electronics production facility. Southern England. Comprising freehold property 13,000 sq ft. Good order book and prospects. Professional manufacturing mangement and staff. Quality to I.S. 9000 and B.S. 5750 Capability to assemble inspect and test complex electronic equipment. Extensive recent investment in surfacemount assembly and capability for semi automatic insertion. Refinancing necessary to build for future growth market as company moves to profitability.

Write Box H5727, Financial Times,
One Southwark Bridge, London SE1 9HL

ALUMINIUM PACKAGING COMPANY

ICMA International offers for sale the business and assets of a manufacturer of *aluminium packaging on the European* Continent. For further details, please contact: Jean-Pierre Goderis, ICMA International, Avenue Brugmann 32 B4, 1060 Brussels. Phone: 02/344.40.60

German Company

supplier to the automotive-industry and other blue chip customers with forgings, stampings, cold extruded and machine parts, well connected on the market, sales volume DM 30 million, is for sale.

Offer suits to purchaser, contemplating extending their industrial base in the EC.

Write Box H5761,
Financial Times, London
SE1 9HL

On the instructions of C.R. Ashe of Lovewell Blake Liquidator - Boltrin Limited

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"On the Golden Mile"

Substantial modernised fully equipped seafront AMUSEMENT ARCADE 99ft. of prime frontage together with 26 furnished and equipped Holiday Flats (including 2 self contained houses)

Freehold - Vacant Possession

Offers Invited

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Norfolk, NR30 1HJ

Tel: (0493) 844891

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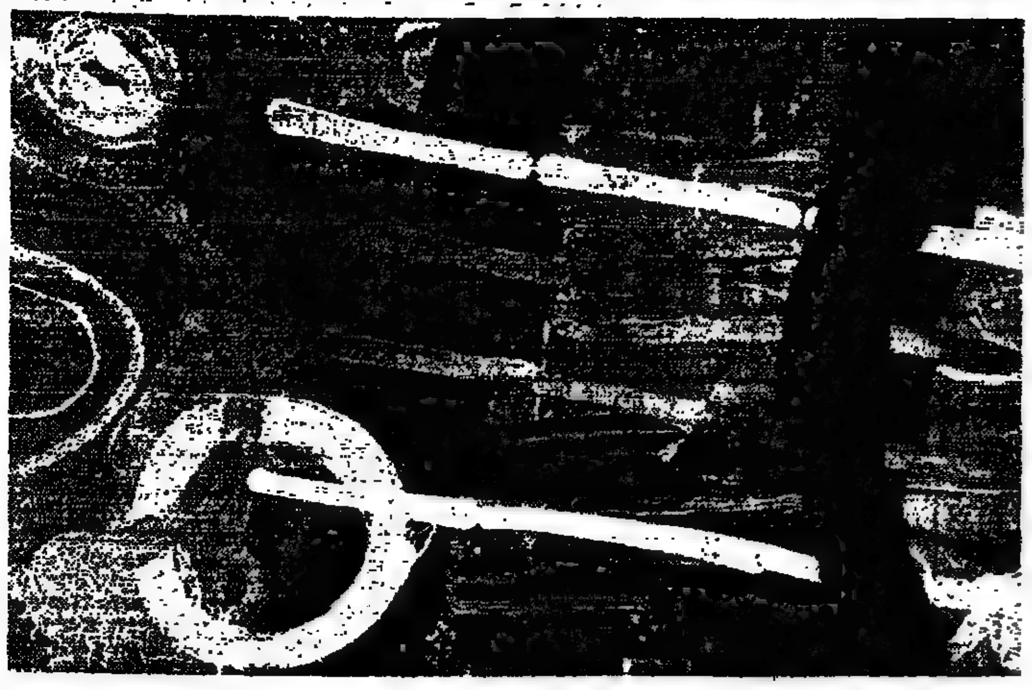


Albert Irvin's "Buchanan," 1987 and John Carter's "Superimposed Elements in a Double Square 1," 1989

Abstracts which make the heart grow fonder

William Packer reviews two exhibitions in London of the work of Albert Irvin and John Carter

Two exhibitions of abstract painting current in London could hardly be more different in every superficial respect – in their particular formal interests and preoccupations, their technique, their scale, their physical presence. Where one is ebullient, expansive and expressionist on the largest scale, the other is cool, reflective and constructivist, its scale never above the intimate. They sit in terms of that old opposition of the romantic to the classical, the intuitive to the cerebral, the informal to the closely structured. And yet one comes away, from the Albert Irvin retrospective at the Serpentine Gallery (Kensington Gardens W2: until March 11, then on to Exeter and Cardiff) and the show of John Carter's new reliefs at the Nicola Jacobs Galleryalike (9 Cork Street W1: until March 3), with the very much the same sense of exhilaration and visual delight.

Irvin is certainly the more obvious romantic of the two. Now in his late 60s, he is one of the Grand Old Men of post-war British painting, but age is not everything. He still paints with all the freshness and enthusiasm of the young man and in love with the very act of painting itself. All abstract painting may be taken as a kind of landscape painting. Irvin, with his love of Turner and Wagner, and the consciously operatic scale on which he works, supplies the perfect example.

Three of his latest canvases alone fill the principal gallery of the Serpentine, the largest of them, 10 by 20 feet in size, an astonishing technical tour de force. The acrylic paint, which he always uses, has many advantages but also its limitations, sealing itself off so quickly beneath its plastic surface. Irvin is entirely its master, working it with a freedom and panache I have yet to see matched by any other artist, his effects as rich as oil paint and as free as water-colour.

His remarkably prolific career now extends over nearly 40 years. This show goes back only to the mid 1970s, with a mere score of large works and nothing at all of his work on paper, but it clearly demonstrates his technical command at once with an admirable capacity to change and develop. We follow him as his imagery shifts from the atmospheric masses of the 1970s, that can be read almost literally as earth and sky, to the more ambiguous spreads of colour of the early 1980s, articulated by a more direct and active graphic energy. By degrees such elements moved to the very heart and centre of the work, animating its entire field and surface with an almost manic activity. Lately, they have grown ever simpler, bolder, more heraldic, rising above the commotion to hold the surface, close to the picture plane, at a final, clean, definitive stroke.

Irvin now enjoys a deserved success, but it must be said that it has come to him remarkably late. Only in the 1980s was he firmly taken up by a major London gallery, Gimpel Fils (30 Davies Street W1: February 15 until March 17), and the irregular pattern of intermittent exhibitions, at whatever opportunity that came his way, effectively broken. Only then did major clients and collections, the Tate among them, come forward for his work.

He was one of the generation of painters that was swept off its feet when the abstract expressionism of New York, with its ample scale and apparent innocence of imagery, was first shown in England in the late 1950s. In the right place at the right time, he was unlucky not to become immediately established. But there was nothing ever slavish in his response, nothing conventional, theoretical or smacking of the manifesto. Perhaps it was simply the natural ebullience and amplitude of his work, its rich, intuitive invention, its luscious, dare one say decorative, presence, that got in the way. For there was a certain seriousness in the air, an expectation that art had to be about something more substantial and cerebral than the mere expression of delight in being itself. Irvin, thank goodness, with no trace of bitterness, has gone on being true to himself and the times have caught up with him at last.

★

If Irvin is the expressionist romantic, John Carter is the romantic constructivist. His relief paintings at first appear to be simplicity itself, solid trapezia or parallelograms, several inches thick, that are pierced through the centre or at their edge in conformation with the simple geometric figures presented on their surface. Their colours are in sort Whistlerian arrangements or greys and blues, warm and cool, that are rubbed down to bring the pigment back to the very stuff of the wood. And with that insistence comes a celebration of edges and corners and turns of the plane that are as crisp as can be.

One calls these things paintings advisedly, for while their physical presence is manifest, in the same way that sculpture is at once object and image, it grows from and depends upon what is proposed on the surface – the simple image and illusion of one block inlayed or countersunk upon another. Carter has always engaged himself in this debateable land between sculpture and painting, and always with the most consummate craftsmanship and imaginative discipline. But the craftsmanship was there, it seemed, only to serve the imaginative proposal of visual conundrum or physical ambiguity.

But less is more, it appears, and never before has Carter done more with so little, to bring the physical qualities of the work into a true integrity with the image. We consider the image as we savour the object, and in the very fabric of the piece discover its essential ambiguities. It may seem absurd that the simple figures of one or two parallelograms, each halved and laid upon each other, to complement and contradict each other, should be so satisfying, and yet they undoubtedly are. These are richly imaginative and very beautiful things.

Masur's Debussy

FESTIVAL HALL & RADIO 3

With Sunday's performance of *Le Martyre de Saint Sébastien* in its familiar concert abridgement, Kurt Masur, Principal Guest of the London Philharmonic Orchestra, opened a new chapter in his London concert appearances. We usually associate this conductor, one of the leading figures of East German music, with the great German and Austrian masterpieces; but his range is far wider than that, as this heartfelt performance declared.

The music – late Debussy (1911), perhaps his supreme achievement in the field of orchestral and choral composition – was delivered with conviction, intensity, and a sweep of drama that sustained momentum through five sections of predominantly slow, barely scored numbers and spoken-word accompaniments. *Le Martyre*, a strange hybrid made of spoken dialogue, song, spectacle and religious pantomime, was found unsatisfactory in its original stage form (with the dancer Ida Rubinstein combining movement and speech as the martyred Sebastian) and remains hardly less so in concert reduction.

And yet the aura of rarefied beauty with which the musical portions are irradiated makes the experience a peculiarly uplifting one; the sensuous and the ascetic in Debussy's creative personality are reconciled and harmonised with unrepeatable refinement. In truth, it was the final degree of a comparable refinement in execution, and therewith that indefinable quality of idiomatic exactitude, that the performance lacked. The orchestra played with scrupulous accuracy and a wide range of dynamics, the LPO Choir and Finchley Children's Group were in excellent voice, and in the various soprano solos Sylvia McNair was ideally limpid and fine-grained.

But there was quite often a beefiness about the rhythmic movement; Boulez's blend of gossamer and muscle proved impossible to eradicate in the memory. Perhaps it was the total inadequacy of the all-important *récitant* – the Leipzig actor Friedhelm Eberle, no doubt greatly distinguished in his proper field, who trampled down D'Annunzio's French text with ugly guttural consonants and harsh, broad vowels – that could be held to account for the pervasive feeling of heaviness: how on earth did this extraordinarily inept piece of "casting" come about?

In the first half Masur and the LPO gave us a Schumann Fourth Symphony of broad energy but no great melodic surge or delicacy of touch. The alterations to Schumann's scoring (such as the intermittent lifting of the first-violin part up an octave or more) were at once understandable and disappointing.

Max Loppert

Suk Trio

WIGMORE HALL

The recent political events in Czechoslovakia have underlined the importance in the country's social structure of the arts, and music in particular. The Wigmore Hall could hardly have happened upon a more opportune time to launch its Bohemian festival if it had been guided by the most astute political advisers.

Among the festival's most respected visitors are the Suk Trio. At the weekend its members gave two programmes, taking up the thread of Czech musical history that they had begun with their highly-praised romantic recital earlier in the week. As a glance at any Czech record catalogue will show, there is a lot of fine, unfamiliar music to be explored in this area and it is difficult to imagine a group better placed to reveal its attractions than this one.

The listener never feels that the Suk Trio is striving in any way to oversell its music. No doubt because they have grown up within the national musical tradition, the players have a natural appreciation for the proper style of all their Czech repertoire. Their playing is graced with a lyricism that is free from glutinous thickness and lithe rhythms that brought us, for example, a notably affectionate and spontaneous account of Dvořák's favourite *Dumky* Trio.

This was the last item in their recital on Saturday, which had traversed the music of three generations. From Josef Suk, who was Dvořák's son-in-law, we had the Piano Trio in C Minor, Op. 2, an early work of tempestuous late-romantic sympathies. Then on to the very different post-war Czech idiom and the Piano Trio Op.39 by Viktor Kalabis, written in 1974, which has a cosmopolitan cut that could be almost any nationality in the late 20th century.

To my mind, however, it seemed the most interesting find of the evening came somewhere in between with Vítezslav Novák's Second Piano Trio (1902) – an uneven piece admittedly, which the composer said was conceived in a mood "of the blackest Baudelairesque pessimism." But alongside its impassioned ranting are passages of real originality and the Suk players brought those off with a fine lightness of touch.

As a postscript, one should add that the solo recital on Friday given by Josef Suk, the leader of the trio, was no less enjoyable. In Jánácek and Mártinu, as in Dvorak and Smetana, this violinist plays with an unexaggerated artistry that goes to the heart of the music and it is fitting that he should have spearheaded a festival that looks set to provide a most rewarding selection from Czech musical culture.

Richard Fairman

La traviata at the Met

One morning last week I read a New York Times review of the Met's 526th *Traviata* performance, which said: "It is unlikely that many of the first 525 were as emotionally and vocally empty as the performance that tumbled through Franco Zeffirelli's overstuffed staging." That evening I saw the 527th Met performance of *La traviata* – with, admittedly, a different Violetta. I went without high hopes, more through curiosity, for the show – almost everything about it except Carlos Kleiber – had been "trashed" by the New York press. I found it stirring and beautiful – a fine performance. Not everything the Met does is bad.

I had missed the opening night in January – a late flight – and thereafter tried in vain to catch the first cast. Kleiber, billed to conduct the first five performances, conducted only two of them, and only the first with the tenor, Neil Shicoff, that he and Zeffirelli had rehearsed. The Violetta, Gruberova, dropped out; when she returned Kleiber was missing. And so on. I waited for the show to settle. My cast was Karen Huffstodt, Alfredo Kraus, and Paolo Coni; Michelangelo Veltri conducted.

Huffstodt, who has sung the role at the City Opera and in Santa Fe, was a moving Violetta. Her voice is appealing. It was vibrant – perhaps dangerously so, though not yet to the point where the adjective should be "unsteady" – and her coloratura was a shade fierce and unruly. But her tones, her phrasing and her acting alike were communicative. The role was both strongly and delicately conceived, and there was much delicate singing. Her words were felt, and the performance came out to fill the huge house. She is also attractive to look at.

Kraus, at 62 (London first heard his Alfredo in 1957, at the Stoll, with Scotto) may not look like Alfredo, but he sang the music with a grace and charm of phrase that brought the character to life. The consoling "Parigi, o cara," with tenderly judged rubato, was especially notable. Coni's voice is beautiful – easy to hear why Italians think they have found their new baritone! – and his performance had much character and artistry. Veltri's conducting was responsive and sure.

Zeffirelli's production cleverly combines tight focus on the principals with – at the two parties – large Met spectacle. He achieves this by scene changes: when Violetta's guests go in to dinner, she retires to a boudoir, and the dialogue with Alfredo takes place there. The chorus does not have to pour back on stage, sing a few lines of farewell, and then troop out again; instead, Violetta rejoins the party in the big room. Similarly in the finale of Act 2, Flora's party. All this is skilfully achieved with naturalness and a minimum of fuss. The textures of the score and the drama are faithfully mirrored. The chorus of critical indignation that greeted those Zeffirelli superspectacles the *Bohème*, *Tosca* and *Turandot* has been heard again, but wrongly, I think. The sensitive "dissolves" of this *Traviata* are very different from the lumbering *Tosca* moves between dungeon and roof in the Castel Sant'Angelo.

The sets are beautiful; the ostentatious richness of the 19th-century *popolo deserto che appellano Parigi* throws the personal dramas of its victims into relief. A talented new cast, so far from being swamped by the scenery, found a frame in which individual merits could shine the more brightly, one that furthered what each singer was bringing to opera. This *Traviata* was staged by the master we admired in Covent Garden's *Lucia*, *Falstaff*, and *Cav-and-Pag*.

Andrew Porter

Enrico Four

CITIZENS' THEATRE, GLASGOW

Ascoltate bene. The second Pirandello opening last week transported problems of identity, choice, reality, illusion and guilt from Leicester (*Naked*) to Glasgow (*Henry IV*). A more or less English translation by Robert David MacDonald cunningly leaves us in no doubt as to the play's provenance by peppering the dialogue with Italian. *Capito?* (As someone frequently asks).

Pirandello's stage directions, almost as detailed as Shaw's or Barrie's, call for the curtain to rise on young men in medieval garb lolling in a regal hall. Here we have semi-naked youths jiggling to rock on a tranny in a mixture of the archaic and the anglepoise. Well, it is the Citizens. *Madonna!* (As someone else continually exclaims).

The initial frisson at the contrast between ancient trappings and modern sentiments – subsequently so often exploited by Jean Anouilh – therefore goes for nothing. The plot-laying explanation about the wealthy man who, following an accident in a historical pageant, has for 20 years believed himself the German Emperor Henry IV, is rattled through with Mafia speech rhythms and pizza-parlour cliché gestures. Sometimes with Italian accents, sometimes without (easy on the anchovies). The effect is that of a bad old-fashioned radio play where the foreign characters talk to one another in broken English. *Macche!* (As the company often ejaculates).

The 20-year agreement to cocoon the self-deluding madman in his make-believe medievalism is threatened by the arrival of figures from his past; but Philip Prowse's production has already sapped the foundations with a rigorous updating of Pirandello's 1922 play that leaves one wondering what the fuss is about. In transferring the action to our own garishly amoral times, Prowse turns the "madman's" rejection of rigid convention into no more than a game of let's pretend garnished with existential twitter. When anything goes nothing has the power to shock. *E vero?* (As the more philosophically-inclined put it).

The sad thing is that the Citizens has assembled a potentially strong cast to convey a world here seen as a somewhere between Georg Gross and *La Dolce Vita*. Looking like Monica Vitti after a bad night, Jill Spurrier is Pirandello's ravaged valkyrie, though with typical Citz heavy-handedness her near-swoon is interpreted as keeling over in a dead faint, from which position, flat on the floor, she continues the next scene. *Dio mio.* (As the excitable company has it, more than once).

The greatest promise lies in the portrayal of the title-role by Greg Hicks, replacing the announced Richard Harris. As the mentally injured who in fact regained his sanity some years before without revealing it, he is directed to "play mad," complete with funny voice, glazed looks, and a hint of Ophelia in drag, when the character's (assumed) insanity lies solely in his mistaken identity. Within the delusion he should not shamble, strut or gabble, but behave as normally as – well, Henry IV.

Despite this, Mr Hicks, though too young for the part, dominates the stage with carefully controlled wildness – and the fact that the control may be the character's or the actor's has a suitably Pirandellian ambiguity.

But everything founders on the linguistic self-consciousness, the verbal sophistication of a package-holiday guide. That endemic fault that lurks in the Citizens' wings is neither arrogance nor mannerism but sheer silliness. *Coglioni.* (As someone in the centre-stalls observed).

Martin Hoyle

ARTS GUIDE

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OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited new production of Borodin's *Prince Igor* by Andrei Serban is a collaboration of the Royal Opera and Ballet, conducted by Bernard Haitink. The Royal Ballet at Covent Garden performs its cluttered *Swan Lake* on Fri, Sat and Tues. English National Opera, Coliseum. David Pountney's curious *Traviata* production (this is the one with the cornfield on stage in Act 1) returns with Helen Field in the title role. The company undertakes a Berlioz rarity, *Beatrice and Benedict*. Further performances of *Faust*.

Paris

Théâtre des Champs Elysées. European 18th century baroque operas conducted by Rene Clemencic. *Testoride Argonauta* (1780) a two-act opera from Portugal in the Gulbenkian Foundation Production (Mon). *Dafne in Lauro* (1714) a two-act opera from Austria in concert version (Thur). *L'Olimpiade* (1734) a three-act opera from Italy in concert version (Sat). (47203637).

Amsterdam

Nederlands Dans Theater in Jiri Kylian's *Tantz-Schul* to music by Mauricio Kagel (Fri). A new production of Mozart's *Cosi fan tutte* from the Netherlands Opera. (255 455).

Barcelona

Gran Teatre del Liceu. *Elektra* by Richard Strauss, produced by the Royal Théâtre de la Monnaie and Opera National Bruxelles. (318 92 77).

Brussels

Forest National. The Bolshoi Ballet and Orchestra conducted by Alexander Kopylov in *Giselle*. Palais des Beaux-Arts. Dancers from the Bolshoi and La Scala di Milan perform Tchaikovsky's *Nutcracker* suite. Cirque Royal. Die Wiener Operetten Theater in Strauss's *Die Fledermaus* staged by Zdenko von Koslak and conducted by Theo Mohrens.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Haydn's *L'infedelta Delusa*. Sigiswald Kuijken conducts La Petite Bande Orchestra, staged by Philippe Lenael.

Vienna

Staatsoper. *Jenufa* by Janacek; *La Traviata* by Verdi. *Le Nozze di Figaro* by Mozart. Ballet: *Verklärte Nacht* by Schoenberg. *Wiegenlied* by Alban Berg. *Les Noces* by Stravinsky. Volksoper. *Die Zigeunerbaron* by Johann Strauss. *Kiss me Kate* by Cole Porter. *Cosi fan Tutte* by Mozart. *Mignon* by A. Thomas. *Hoffmanns Erzählungen* by Offenbach. *Die Zirkusprinzessin* by Emmerich Kalman. *Die Lustige Witwe* by Lehar.

Berlin

Opera *La traviata* returns with Julia Varady, Marcia Bellamy, Fernando de la Mora and George Fortune. *Fidelio* in Jean-Pierre Ponnelle's wonderful production with Janis Martin, Barbara Vogel, Gerd Feldhoff and Spas Wenkoff. *Der Troubadour* features Sharon Sweet, Ruth Hesse and Corneliu Murgu. *Der Nussknacker* has Rudolf Nureyev choreography.

Hamburg

Opera. *Der fliegende Holländer* is sung by Simon Estes, brilliant in the title role. *Othello* has a strong cast led by Wladimir Atlantow, Sharon Sweet, Franz Grundheber and Heinz Kruse. *Idomeneo* under the superb musical direction of Gerd Albrecht with Josef Protschka, Roberta Alexander, Joanna Kozlowska, Kurt Streit and Ning Liang.

Cologne

Opera. *Die Fledermaus* is a well done repertoire performance with Josef Protschka, Alfred Kuhn, Gabriele Fontana.

Bonn

Opera. The successful Youri Vamos' *Spartakus* ballet, offered for the last time this season.

Frankfurt

Opera. *Der Zigeunerbaron* features Adalbert Waller, Carlos Krause, Barbara Fuchs, Sona Cervena and Eliane Coelho. *Parallax* is jointly choreographed by William Forsythe, Susan Marshall and Amanda Miller, danced to music by Bill Frisell, Beethoven and Gavin Bryars. *Iphigenie en Tauride* by Glück is produced by Patrice Caurier and Moshe Leiser, with Helena Doese, Keith Lewis, Francois le Roux and Gregory Yurisich. William Forsythe's ballet *Artifact* rounds off the week.

Munich

Opera. This week's highlight is *Fidelio* starring Hildegard Behrens, Theo Adam and Rene Kollo, conducted by Hans-Martin Schneidt. Further performances of *Die Fledermaus* in Otto Schenk's traditional production. Two ballet evenings: *La Sylphide* choreographed by Auguste Bournonville and *Onegin* by John Cranko.

New York

Metropolitan Opera. The seasonal premiere of *Il Trovatore* features Metropolitan debuts of Susan Dunn as Leonora, Lajos Miller as Count di Luna and conductor Rico Saccani. Harold Prince's production of *Faust*, conducted by Charles Dutoit, continues with Carol Vaness as Marguerite, Delores Ziegler as Siebel, Neil Shicoff as Faust and James Morris as Mephistopheles. Nello Santi conducts the last seasonal performance of *La Gioconda*. Lincoln Center Opera House (362 6000).

Les Ballets Trockadero de Monte Carlo. The first New York performances in seven years of the transvestite satiric company include the world premiere of *Black Swan* in the three mixed programmes with their other two "Swans", *Swan Lake* and *The Dying Swan*. City Centre, 55th E. of 7th Av (246 0102)

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Security in Europe

THE FUTURE security order of Europe is no longer a matter of academic speculation or political rhetoric. Two developments, both more rapid than anyone foresaw, are combining to make untenable the proposition that European security can continue to depend on the two alliances, Nato and the Warsaw Pact. One is the virtual disintegration of the latter. The other, even more urgent, is the unification of Germany, which is proceeding faster by the day.

Although economic unity is what is most urgently needed, it is needed so badly and so quickly that its political corollary can no longer be ducked. Even the "confederal structures" or "treaty community" suggested two months ago no longer look adequate to dissuade East Germans from migrating en masse to the West. A federal union may come about in a matter of months.

A federal union whose parts belong to different alliances defies the imagination, not least that of military planners. So Mr Hans Modrow, the prime minister of East Germany, has proposed neutrality. Fortunately West German leaders have rejected this, sensing the value of the political and military ties to the West built up over 40 years. Yet at the same time the West German foreign minister has warned that "there must be no expansion of Nato territory eastwards," while opposition leaders are arguing that federal unity is possible only in the context of a "peaceful European order" which would render Nato superfluous.

Permanent institutions

A way must be found to square this circle. A peaceful European order has been the declared objective of Nato at least since the 1967 Harmel Report. But what form would it take, and how in practice would it guarantee the security of all European states? These questions will no doubt be on the agenda of the 35-nation pan-European summit (including Canada and the US) which now seems certain to be held this autumn. That conference will have to consider endowing Europe as a whole with some permanent security institutions.

Yet surely few if any members of Nato will regard such institutions as an adequate substitute for their present alliance. Soviet power may have diminished and be currently in benign hands, but Russia will remain the strongest state on the Eurasian landmass, and its politics will be much harder to predict than in the recent past.

That being so it is only common sense to maintain Nato for the foreseeable future, while using the putative new institutions to reassure the Russians about its defensive and peaceful nature. On that basis Moscow, which is in any case ill placed to bargain, should not object to a united Germany being part of Nato.

Tactful move

It would probably be unwise for Nato to accept a complete demilitarisation of East Germany, which might tempt the West Germans to follow suit. But it might perhaps be tactful to assign the defence of East Germany to German rather than allied troops.

Moscow would probably not object to US forces remaining in West Germany, but it seems quite possible that German public opinion will, once Soviet forces are withdrawn from East Germany. In that event, at least some of the troops should be rehoused in other Nato countries, so that the US commitment to European security does not become too intangible.

In any case it is desirable for the main west European states, grouped in the Western European Union, to form a closely integrated defence community, capable of acting as an equal partner to the US. This is now clearly advocated by American leaders, and it would be folly for Europe to ignore their views. Such an effort of integration would be an insurance policy against US withdrawal, but would also make it less likely, by showing that western Europe was a serious ally.

In addition it would enable western Europe to act collectively when necessary outside the Nato area; and if the forces were fully integrated it could enable Germany's European allies to participate in her defence, and vice versa, without the odium of being "foreign troops."

A Bank plea to Brussels

FOR A CENTRAL banker publicly to express the fear that financial institutions may be saddled with excessive capital requirements flies in the face of expectation. In any conventional debate on capital adequacy the supervisors can usually be relied on to call for more, while practitioners invariably plead for less. Yet in discussing the European Commission's proposed directive on the capital needs of investment firms yesterday, Mr Pen Kent, an executive director of the Bank of England, was quite explicitly concerned that capital requirements might be pitched at an excessive level in relation to risk. What is the explanation for this apparent case of role reversal?

The basis of Mr Kent's worry is that excessive initial capital requirements might drive business away not only from London but from the rest of the Community to financial centres such as New York and Tokyo. It is a case not so much of role reversal as of the Bank combining the traditional concern over prudential supervision with its unique activity as chief lobbyist for the City, which in this instance has taken on a suitably *communautaire* dimension. Whether those roles conflict is a moot point: few other central banks combine the tasks of implementing monetary policy and prudential supervision with active sponsorship of the financial services business. But the question that Mr Kent raises is no less valid for that. What is the appropriate level of capital for firms operating in today's highly volatile securities markets?

Risk balance

The answer is subjective and it rests on a judgment about the balance of risks. One relates to the likelihood of a default that might pose a threat to the whole financial structure; the other to the wider costs of inhibiting competition through needlessly high barriers to entry. There is no question, in today's globalised securities markets in which technological innovation is spurred on by deregulation, that systemic risk needs to be treated with the utmost seriousness. But when many of the leading houses in the international securities markets are deploying large sums of capital in pursuit of below-average or negative returns, concern about the impact of excessive capital requirements on competition might seem to border on the academic.

That is not to say that high initial capital requirements for investment businesses are necessarily an unmitigated blessing. If those requirements are imposed at the cost of a risk-based approach, the more sophisticated firms that have invested in complex risk management and hedging techniques will be needless penalised. There are also fears in the London investment fraternity that a directive based on the present draft proposal might end up penalising cross-border transactions, as well failing to recognise the peculiarities of non-bank balance sheets in which short-term positions are extensively financed by short-term loans.

Potent fear

The more potent fear in London, however, is that the fourth draft of the proposed directive appeared to favour the interests of West Germany's universal banks at the expense of non-banks conducting securities business in London. If in due course London-based firms were indeed confronted with the proverbial uneven playing field in relation to capital, some might conceivably decamp.

But that scarcely seems likely. Sir Leon Brittan, the Commissioner responsible, was at pains in London last night to emphasise his attachment to level playing fields. And since there is a noticeable reluctance at the Commission to force markets to fit in with the convenience of the regulators the next draft will no doubt aim for another compromise.

Whether, as Mr Kent hopes, the ultimate directive achieves broad equivalence between banks and non-banks remains to be seen. The earlier directive on solvency ratios for banks posed fewer problems because the ground had been mapped out in the Bank for International Settlements' convergence exercise on capital adequacy. In securities the absence of an equivalent forum to the BIS is proving costly.

Nikki Tait reports from Chicago on a vital stage in Sir James Goldsmith's bid for BAT

The T-shirt says 'I'm not Jimmy'

A few months ago, one of the advisers to Axa-Midi Assurances, France's third largest insurance group, had a bright idea. Passing a printing shop, he ordered a set of T-shirts emblazoned with the message: "Je suis Claude – I'm not Jimmy."

The "Claude" refers to Mr Claude Bébéar, Axa's chairman; "Jimmy", to the Anglo-French financier, Sir James Goldsmith. It was one of the more light-hearted efforts to distinguish between the latter's attempt to gain control of BAT Industries, Britain's biggest conglomerate, and Axa's desire to own Farmers Group, BAT's US insurance subsidiary. This would be bought from Goldsmith's Hoylake consortium for $4.5bn if Hoylake made a successful bid for the parent company.

T-shirt messages, however, have a knack of being simplistic. It is true that any serious assessment of Sir James's chances of renewing his bid for BAT starts with the question of whether the US insurance departments in nine separate states will approve Axa as a potentially suitable owner of Farmers. But, as the arguments emerge into the open in Illinois – the first state to hear the case – it is clear that they fall into two distinct clusters.

On the one hand, there are the issues that concern Axa alone – whether its financial resources are sufficient to ensure that Farmers' policyholders are not in danger, and so on. On the other, there is the lurking question of whether the Farmers sale agreement between Hoylake and Axa is water-tight, or whether the US regulators could find themselves in a head-on collision course with one of the world's most tenacious corporate raiders.

In theory, the question of Axa's suitability ought to be straightforward. Precise statutes governing changes of insurance company ownership vary between different states, but the key common factor is that there should be no adverse change for the policyholders. This cumbersome US system was beefed up after a series of insurance acquisitions in the late 1960s. These provoked concern about potential asset manipulation by non-insurance owners and about the dangers which diversification by insurers themselves might present.

In short, then, the spotlight falls on Axa's management capabilities, its financial status and – related to this – some rather esoteric tax implications flowing from the deal.

It is here that international corporate cultures start to clash, for Axa – at least in Anglo-Saxon eyes – is not the most straightforward of groups. It came into being in 1982 through the merger of two medium-sized French insurers, Mutuelles Unies and the Drouot group. The combined firm acquired the Presence group of insurance interests in 1986 after a lengthy struggle with Compagnie du Midi. Axa subsequently linked up with its former adversary in June 1988. An internal power struggle which led to Mr Bébéar's supremacy and the declared policy of expanding the insurance interests at the expense of Midi's non-insurance assets was only settled a year ago.

The result is group consisting of a string of companies, many of them owning only majority stakes in others. Moreover, the Farmers deal is quite big by comparison with Axa's current size. Mr Bébéar, a self-confessed opportunist, makes no secret of his motives. "If I look at the Japanese insurance companies and trends which exist in the Japanese market, I know if I stay a small French froggy with my beret and my red wine under my shoulder, I will disappear," he has said. "I will become a subsidiary of a Japanese company."

By acquiring Farmers, Axa would double its size and move from about 28th place to 15th in the world league of insurance groups, as measured by premium income.

But this combination of history and ambition has given the proposed deal a complex and rather Continental flavour. Axa needs to raise $5.5bn – $4.5bn to buy Farmers and $1bn to invest in Hoylake.

Having played around with various possibilities, the final solution is to tap three sources: an immediate cash payment of $1bn, $2.25bn of loan notes which would be issued to Hoylake (and then sold on to other investors), and a long-term loan of $2.25bn. For tax reasons another daisy chain of acquisition companies enters the picture (see diagram).

Axa envisages repaying the term loan facilities over ten years, using dividends from Farmers. The loan notes, on the other hand, would fall due after two to three years. Money to fund these and the cash injection would come from the steady realisation of Axa's non-insurance assets, the proceeds of a $500m share offering and additional free cash flow of just under $1bn. Some asset disposals have already taken place; more are promised.

All this, says Axa, poses no problem. It values its non-insurance assets at $2.77bn and points out that there is an additional surplus of assets over necessary reserves which amounts to $4bn. In total, then, available resources in the next three years should amount to $8.2bn.

For Farmers' canny US lawyers, however, these are rich seams to pick. Asset valuations – even the willingness to sell – can be lengthily queried. The Illinois hearing has listened to explanations of French real estate methodology in laborious detail.

Moreover, with no precise funding in place for Axa's purchase – on the perfectly reasonable grounds that bankers' commitment fees are costly – it is easy to question whether lenders would be available and what security they would demand. Axa has offered some "highly confident" letters from potential banking associates. But this only opens the door to parallels with the recent UAL deal and other bank-funded transactions which have come sadly unstuck amid much publicity in the US.

It is a matter which clearly carries some weight. The Illinois hearing officer has suggested that Axa might consider whether the funding could be structured so that Axa's assets – rather than Farmers – are the first in line in the event of any default.

Axa's management, too, has come under scrutiny. Axa has made a couple of much smaller scale forays into the US already, not entirely happily. Perhaps more pertinently, the Farmers lawyers are adept at reeling off a strong of recent personnel departures from the French group. This, retorts Pierre Barberis, Mr Bébéar's deputy, is no more than one would expect as the new group is welded together; Axa does after all employ 7,000 people.

A good deal of this can probably be dismissed as inevitable wrangling which will cut little ice at the end of the day. A couple of technical issues, however, arising from the envisaged funding structure, do appear to offer potentially serious snags.

The first is the technical question of Farmers' "section 835" tax election. Farmers is unusual in that it manages reciprocal insurance exchanges in which all the underwriting losses on the property and casualty side are centred. The exchanges are separate legal entities and pay a management fee to Farmers. By making a section 835 election, the tax losses of the exchanges can be offset against the profits of Farmers, and the exchanges receive a tax credit for the fiscal dues paid by Farmers.

However, the system works in reverse if the profit from the management income earned by Farmers is offset by losses or expenses from any other business, the tax paid by the company is reduced and the credit to the exchanges dwindles or disappears. This is precisely what would happen if acquisition debt is introduced at Farmers, as Axa proposes.

Not surprisingly, there is some dispute over what the costs to the exchanges would be. Farmers' lawyers have argued that the benefit over the past 10 years has amounted to "hundreds of dollars in additional surplus allowing the exchanges to write billions of additional premiums."

Axa replies that the cost – after some adjustment to the exchanges' investment portfolio – could be kept to around $6m a year and no more than $10m.

Would Axa make good this deficit?, asked the Illinois hearing officer, after days of testimony from Axa's chairman and deputy chairman. Mr Barberis danced a little. "I'll stick to Mr Bébéar's words. It is of the utmost importance that we would not affect the rating of the exchanges or their claims-paying ability," was all he would offer.

Towards the end of last week, the hearing turned down another technical avenue. Farmers' counsel has been at pains to prove that Axa, post acquisition, will break certain acquisition guidelines on corporate net worth and gearing levels set out clearly in the Californian insurance statutes.

Perhaps the real significance of both this issue and section 835 is that they may offer acceptable escape routes should any insurance commissioner wish to take them. And this in turn is where the Goldsmith factor comes into play.

There have been many protests from Hoylake and Axa that the Farmers deal is water-tight and that Hoylake has no wish to own a US insurer. That, however, does not prevent the imagination of Farmers' lawyers from strain. They have painted a scenario in grim detail, under which Hoylake could acquire 51 per cent of BAT and decide that all conditions to the Farmers agreement have been met. Axa, however, scenting some unexpected deterioration in the Farmers business could cite the "adverse material change" condition in the sale arrangements and pull out. Would the takeover panel intervene and, if it didn't, what would the commissioners do?

If, as Axa suggests, this defies commercial reality, the Farmers lawyers have other cards to play. Eminent UK barristers are being shipped to the US to testify to a potential problem under section 151 of the Companies Act which bars a company from using its own money to buy its own shares, except in limited circumstances. Hoylake, runs the argument, has undersold Farmers to Axa, effectively giving the acquirer money to invest in Hoylake. Ergo, a breach of the Companies Act.

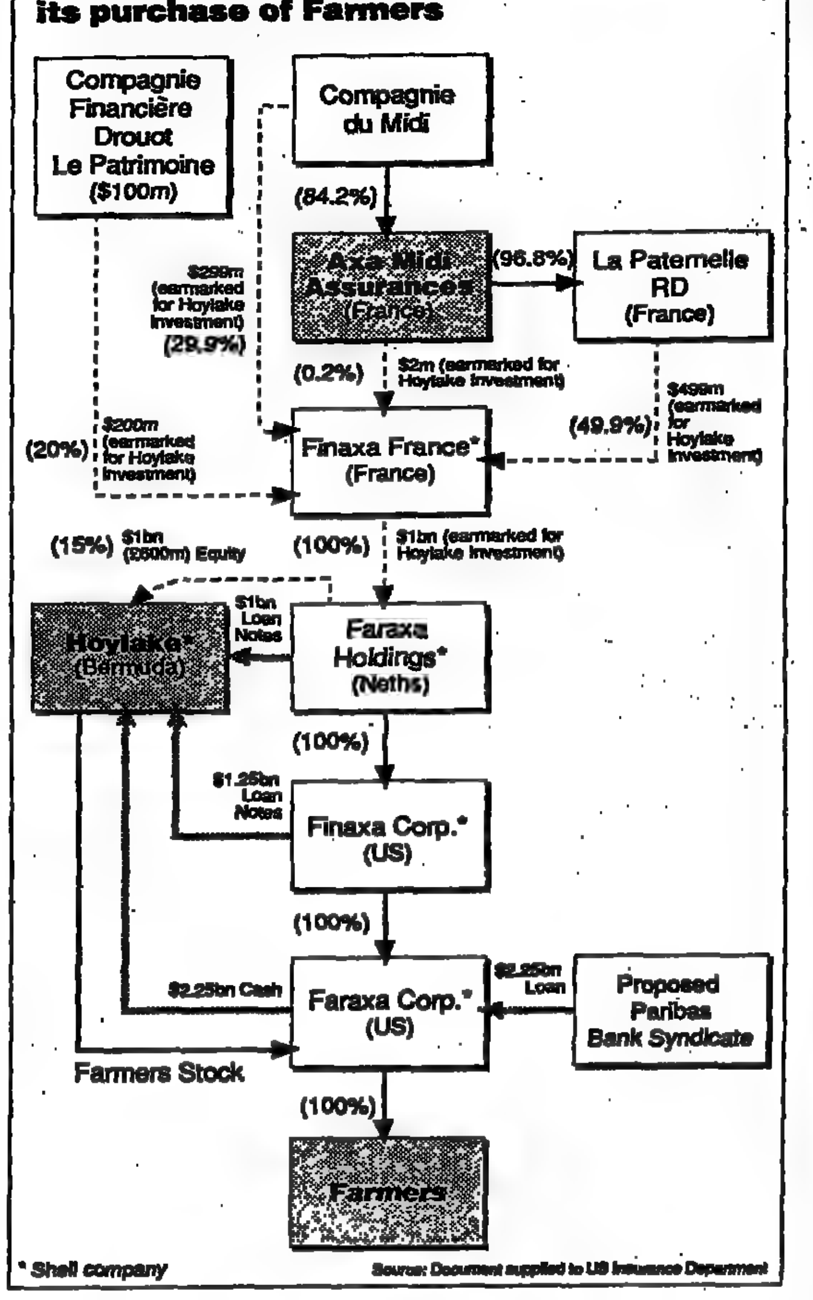
And just in case that does not suffice, the Farmers counsel has talked airily of minority shareholder suits if a Hoylake offer goes through. Just as the section 151 argument may sound a little far-fetched – although Hoylake has consulted its own lawyers on the matter – this seems rather contrary to common UK practice. BAT itself says that it knows no such scheme being mooted among its institutional shareholders. But to US ears, more accustomed to litigation, the notion seems to be a lot more plausible. It has already been picked up by the hearing officer himself.

Meanwhile, the game over timing goes on. The vital California hearing is expected to start next week but the state will keep its formal record open until Illinois finishes – probably by March. California will then decide within 30 days. Both sides say that they will take legal advice before appealing – but whatever happens in California one or other of them is likely to appeal. With some hearing dates in other states yet to be set, even the Axa counsel reckons that any conclusion to the process – assuming it is played out to the end – is unlikely before late summer.

All that buys time for BAT's own restructuring. Sales prospectuses for the US retail interests went out this weekend and BAT was confident that the set of asset disposals and demergers should be complete by the end of June. That would leave Sir James's allies to make their turn from the UK insurance businesses and whatever improvements can be wrung from tobacco.

If they get the chance. Fight as the parties will, the decision on Axa's suitability is clearly a matter for the regulators' judgment. Much may depend on the strength of the anti-leverage climate in the States and the size of Goldsmith's shadow. For the moment at least, the lumbering but well-organised fight of the UK conglomerate – sided by a US love of open procedures – appears to have the edge on Mr Bébéar's opportunism and Sir James' predatory tendencies.

How Axa plans to structure its purchase of Farmers



* Shell company

Source: Document supplied to US Insurance Department

OBSERVER

Mower across the Park

■ Slight break with tradition at the British Foreign Office. The new Head of the News Department is to be Brian Mower, currently Director of Information at the Home Office and a Government Information Officer by profession.

In the past, the Foreign Office, like the Treasury, has tended to give the news and information job to one of its own people. "It needs a diplomat to talk to diplomatic correspondents and a Treasury man to talk to economics correspondents," was the inside view.

The only notable exception in recent years was the now Sir Tom McCaffrey, who served the now Lord Callaghan when the latter was Home Secretary and was called to the Foreign Office when Callaghan took over there in 1974. Subsequently, McCaffrey followed Callaghan to No 10 Downing Street to become the Prime Minister's Press Secretary.

Mower is moving in the same direction – at least part of the way. He presided over information at the Home Office throughout Douglas Hurd's period as Home Secretary, having previously served under Home Secretaries Brittan and Whitelaw. Before that he had spells at Employment, the number two slot in the Downing Street press office and at the Treasury.

He says that he does not think that he was exactly handpicked for the Foreign Office job by Hurd, as McCaffrey undoubtedly was by Callaghan. "The job was coming up anyway and it probably helped that the Foreign Secretary knew he could work with me."

Hurd himself has described in one of his novels how tedious he regards the job of deciding through committees which diplomat is posted where: and Mower is probably right – the Foreign Secretary simply went for the man he knew.

Other people may place different interpretations – like Downing Street striking at the Foreign Office's independence by putting in a professional information officer who has been close to Bernard Ingham, the head of the Government Information Service and Press Secretary to Mrs Thatcher. Given Hurd's independence, however, I doubt if that view stands up.

Diplomatic correspondents may not like the move on the grounds that only foreign specialists understand foreign affairs. As with McCaffrey, they should get over it. Mower, at 55, admits that he has a very sharp learning curve ahead of him. He crosses St James's Park to his new office at Easter.

Wedding facts

■ The costs of the British wedding are going through the roof. In the last twelve months alone, they have risen by 25 per cent to the point where engaged couples and their families should be bracing themselves for an average outlay of £6,586.

The findings come from a survey of 2,047 newly-weds to be published in the forthcoming issue of Wedding and Home magazine.

The typical bride is 24 and her groom 26, the survey says. They marry after an engagement lasting 20 months, spending an average of £443 on a diamond wedding ring and £518 on a wedding dress. Even the groom spends £203 on his wedding day attire this year – 20 per cent up on last year.

The most expensive weddings take place in London, and cost £8,624 on average. The average cost of an engagement ring in London is £709, well ahead of the rest of the country. But London grooms are less likely to wear wedding rings than men elsewhere.

The cheapest weddings in the UK are to be found in Wales: an average of £5,176, partly because the Welsh also spend the least on the engagement ring.

Church weddings are most popular in the Midlands where more than 90 per cent of weddings take place in church. Midland grooms, however, spend less on their wedding attire and buy the cheapest wedding rings.

For honeymoons, the most popular destinations are now the USA, the Bahamas and Greece. Most honeymoons last 13 days and cost an average of £1,634.

Dulles out

■ The Cold War may be over, but a strange argument has broken out between the families of two of America's leading Cold Warriors, over the use of their names.

The international airport serving the Washington area, 40 minutes drive away in northern Virginia, was named Dulles in 1959 after the late Secretary of State on the order of his former boss President Dwight Eisenhower. But now on the 100th anniversary of Eisenhower's birth, a campaign has started for the airport to be renamed after the late President, whose reputation has enjoyed a revival in recent years.

Senator Robert Dole, from Eisenhower's home state of Kansas, has introduced a Senate resolution urging the change and members of the area's airports authority are sympathetic.

But the Dulles family is furious. The sister of the late John Foster Dulles, now aged 94, is reported to be "outraged" and his son has written to President Bush to protest. The family argues that the name change is "an attempt to honour somebody by demeaning someone else."

The Eisenhower family has been publicly reticent over the issue, although people associated with the centennial celebrations think the change would be appropriate. One relative has suggested a compromise whereby the airport's name would be changed to Eisenhower while the distinctive main terminal building would still be known as Dulles – a sure recipe for confusion.

A Washington Post writer has suggested the more sensible compromise of changing the name of the city's domestic airport, National, to Eisenhower.

One reason why the Eisenhower family has been so quiet is that – in the ultimate sign of the end of the Cold War – the former President's granddaughter, Susan, will marry a Soviet space scientist in Moscow on Friday.

Buy now

■ New moves in the property market. World Link, the magazine of the World Economic Forum, has an article in its latest issue called Castles in Hungary: A Guide for Bargain Hunters. About 50 properties are already up for sale, ranging from $15,000 to over $20m.

LETTERS

Marx not to blame for all communist errors

From Mr Martin Jacques.

Sir, I read Martin Wolf's article ("Marxism today," February 2) with astonishment. No doubt he dislikes communism as much as fascism, but surely these are and were not the same. For one thing, as he suggests, one has survived intellectually and the other has not. His equation of Marxism with fascism is rhetoric not an argument. The piece fell well short of the standards of intellectual rigour and dispassionate analysis which are the hallmark of the FT.

More to the point, to argue that what has happened in the communist world is the inevitable product of what Marx wrote is nonsense. It is little more sophisticated than arguing that Christ should be held responsible for the Inquisition.

The Marxist tradition post-Marx led not in one direction but many. It produced not only the Bolsheviks but also the Mensheviks who, one might recall, were bitterly opposed to the October revolution. It created the great social-democratic parties such as the German as well as the Comintern. It produced not only Stalin but also Gramsci, not only the gulag but also much of the resistance against fascism.

None of this is to suggest that some of the seeds of Stalinism cannot be found within Marx's own writings. They can. Marx himself gave credence to the voluntarism based on the laws of history which so easily degenerated into authoritarianism. But to suggest that Marx must be rejected because of the gulag is once again not argument but rhetoric.

Which brings me to Marxism Today with which Martin Wolf is evidently unfamiliar. Most people who write for it are not Marxists (including many journalists, not least from the FT), while those writers who would describe themselves as Marxist generally have a very critical relationship with the Marxist tradition.

In other words, Marxism Today does not pretend for one moment that the Marxist tradition on its own can possibly explain the world today. We are open, idiosyncratic and pluralistic because that is the only way to have any hope of getting nearer the truth, let alone being interesting.

Finally when it comes to Stalinism, then our anti-Stalinist record is there for all to see. It has made us a hate object for fossilised Marxists as well as others on the left. We have consistently been bitter critics of the communist regimes. Indeed, in the pre-Gorbachev era, the central committee of the Soviet Communist Party passed a resolution specifically condemning Marxism Today.

Martin Jacques,
Editor, Marxism Today,
16 St John Street, EC1

Accounting for goodwill: standard not being forced through

From Professor C.W. Nobes.

Sir, Publication of the Accounting Standards Committee's new proposals on goodwill in exposure draft (ED) 47 (February 1) prompts me to respond to Roy Thomas's article ("International standard that does not exist," January 11) which commented on mine ("ASC puts goodwill on the balance sheet," December 21).

First, Mr Thomas says that he assumes that my arguments "reflect the majority opinion" of the ASC. Although he is correct in relation to the contents of the ED, some of my colleagues may have had different views on various matters and should not be condemned with me for any particular argument in my article.

Mr Thomas further suggests that the ASC is trying to "force a new standard through" and that it is making "impractical, highly theoretical" proposals. ASC is a representative body of 21 members, containing several accountancy partners, finance directors and other City representatives, and only one academic. The ED has been prepared by very practical men, and its purpose is to attract comment that can be used in preparing an eventual standard. It cannot force anyone to do anything.

Mr Thomas doubts the importance of inter-company and international comparisons of accounting data. However, the ASC's main role is to reduce accounting variations in order to improve comparisons and decision making by shareholders, lenders and analysts. This is surely now seen as a major purpose of annual accounts of large companies. And, in today's globalised market, comparisons on an international basis are increasingly important to UK shareholders, companies, banks, etc. So I believe that it does matter what other companies and other countries are doing.

However, I must deny Mr Thomas's suggestion that the ASC has made its decisions because "the American establishment has been complaining." There are several other major differences between US and UK accounting, and I doubt whether any member of ASC voted on goodwill with this as his major consideration.

The main matter at issue is, of course, the amortisation of goodwill, and I sympathise with Mr Thomas's closing worry that directors will have to "justify the consequences to their shareholder." A central disagreement between Mr Thomas and myself is over practicality. He thinks it impractical to amortise cost systematically over a given life (as we do for other assets), whereas I think his proposal to "review its value regularly" is impractical when we do not know exactly what the goodwill is. It should also be said that legal counsel's advice is that the law now demands my method not his. The other technical disagreements between us are addressed by a document issued with ED 47.

Finally, it is useful to know the views of informed commentators such as Mr Thomas. The ASC is trying to reach the best solution to this very difficult problem in the public interest.

C.W. Nobes,
Department of Economics,
University of Reading,

Background and experience

From Mr N.J. Cosh.

Sir, Any clarification of accounting standards is to be welcomed, as are parts of the new exposure draft.

However, it must be extremely rare for one issue, that of the amortisation of goodwill, to be so universally attacked. Already we have seen comments condemning this amortisation requirement from Price Waterhouse, Coopers and Lybrand/Deloittes, finance directors from major UK companies including Fisons, Trust House Forte and Hanson and for the City, S.G. Warburg and MAI.

These views can be coupled with the fact, supported by Professor Nobes, a member of the ASC, that City analysts are expected to add back any amortisation of goodwill in comparing the performance of companies and calculating price earnings ratios.

It leaves one to wonder on the background and experience of those members of the ASC who are proponents of this goodwill amortisation.

N.J. Cosh,
Finance Director,
MAI,
8 Montague Close, SE1

Benefits of plant breeding

From Mr D.C. McNeil.

Sir, David Richardson's article on the issue of plant breeders' royalty ("Paying the bill for research that has run to seed," January 28) contains errors.

Farm-saved seed was not specifically excluded from royalty payment because of the difficulty in policing its collection. When the Plant Varieties and Seeds Act came before parliament in 1964 the amount of seed saved on-farm was minimal and, therefore, not included.

It is also wrong to imply that breeders are seeking extra royalty to fund expensive biotechnology developments, or to offset losses associated with hybrid cereal development. For many years the Government subsidised UK plant breeding research through the Plant Breeding Institute at Cambridge. This is no longer the case and, without any change in the scale of breeding programmes, the industry currently invests £20m annually in conventional cereal breeding, yet only £12m is recovered through royalties.

To argue that progress through plant breeding is no longer required because "there is no need for increasing yield," is to overlook the fact that increased yield lowers unit production costs – still a vital goal – and the many other benefits plant breeding brings in developing the quality of the UK cereal crop.

Among the goals of today's breeders are: increased resistance to pest and disease attack, so reducing the need for pesticides; improved quality attributes in the finished grain to reduce the need to import milling wheat and malting barley; and higher performance to ensure that farmers like Mr Richardson enjoy greater profitability from their crops.

Despite all this Mr Richardson still finds it unacceptable to pay a royalty, even though he does not hesitate to buy new varieties and so benefit from the genetic improvements which plant breeding constantly generates.

Plant breeders have said repeatedly that they have no objection to the principle of a farmer saving his own seed. What they are seeking is a fair reward for the intellectual property within that seed, which the breeder has invested 10-15 years of work to provide, and which the farmer exploits every time that seed of a protected variety is used for commercial gain.

D.C. McNeil,
Chief Executive,
British Society of Plant Breeders,
Woolpack Chambers,
Market Street,
Ely, Cambridgeshire

Comments from the terraces

From Mr David P. Nash.

Sir, I was disturbed by the comments of Mr Michael Renshall, chairman of the Accounting Standards Committee, as reported in your paper (February 2) to see that the committee is now commenting on football. It is one thing for the ASC's academic and theoretical proposals to be damaging to British companies, but to misquote Bill Shankly, "football is more serious than just a matter of life or death!"

However, in straying into this area of football, Mr Renshall exposes one of the major flaws in the ASC's logic. Of course the goodwill of Blackpool Football Club has declined since 1953, and should quite properly be written-down. But, using the same example, what if Liverpool or Arsenal had also been purchased in 1953? Under the ASC proposals all the goodwill in these clubs would also have been written-off as well – which is obviously illogical and wrong.

The point is not that goodwill should never be written-off, but it should only be done where there is a reduction in value. If goodwill is to be carried in the balance sheet it should be regularly reviewed by boards and their auditors, and should only be written-down where value has permanently reduced.

If Mr Renshall believes that the problem of accounting for goodwill is "insoluble," then the ASC should not attempt to solve it by seeking tidiness and consistency at the expense of logic and common sense. Misguided comments from the terraces do not help UK business teams to play better.

David P. Nash,
Group Finance Director,
Grand Metropolitan,
11-12 Hanover Square, W1

Betting on South Africa

From Mr G.S.P. Carden.

Sir, Joe Rogaly's political homily ("The money is not on South Africa," February 2) was interesting, if biased, but he should stick to politics and not try to relate his views to the merits of investing in Johannesburg stocks.

Presumably his views of the political situation a year ago would have been even less favourable; yet on the basis of the relevant indices, and allowing for currency movements, a UK investor in South Africa would over that period have done better than investing in the US, Japan, France, Germany, Switzerland, Australia, New Zealand or Hong Kong and would have increased his money by four times as much as if he had invested in the UK.

G.S.P.Carden,
12 Warwick Square, SW1

'Unfair to compare' wartime Iraq with Ceausescu's Romania

From Sir Richard Beaumont.

Sir, As a former British Ambassador to Iraq and someone who lived there in the 1940s, 1950s and 1960s and who has visited Iraq (from north to south) recently, I would like to add my voice to that of the Ambassador of Iraq (Letters, January 25) in deploring the essential unfairness of many of Edward Mortimer's criticisms ("Romanian goose, Iraqi gander," January 9) comparing Iraq with Ceausescu's Romania.

I would start by correcting one error made by Mr Mortimer which he puts forward as fact: namely that British arms manufacturers thronged to the Baghdad Trade Fair. Inquiries have elicited that no such manufacturers participated in the fair held in November and nothing of a military nature was displayed or advertised there.

I would also point out that unlike Ceausescu's Romania, Iraq has been, and still is, in a state of war. In war a certain national discipline is necessary. The present chaos evident in Romania could hardly fit it to face up to a war situation. In Britain in the Second World War severe penalties were meted out to spies and traitors, enemy aliens were interned, freedom of the press curtailed.

I certainly would not condone the gassing of dissident Kurdish populations (if that took place) but would remind Mr Mortimer that the RAF bombed Kurdish villages in Iraq during the rebellion of Sheikh Mahmoud in the period of the British mandate. I venture the opinion that the saturation bombings by the western powers (British, American, German) of Coventry and Dresden were not exactly humane, even if they were a military necessity.

In important social matters there are also marked differences between Iraq and Ceausescu's Romania. For instance, we are told that in Romania the population has been kept in near-starvation so that foodstuffs could be exported. Even during the hostilities with Iran the Government of Iraq has taken care to see that, though there may have been shortages, food was produced locally or imported in sufficient quantities to maintain a healthy population. In fact a large part of Iraq's imports consisted of foodstuffs.

Again, in Ceausescu's Romania parents were told, because of infant mortality brought about by under-nourishment and lack of fuel, not to register the birth of children until they were at least one month old. In Iraq neither such conditions nor such a policy have existed and the state has catered continually for a naturally expanding child population.

In Iraq, unlike Romania, there has been a major literacy campaign, making provision both for all children and for adults who for one reason or another missed out on education when they were young. In Romania, I am reliably told, the ownership of typewriters, let alone photocopiers, was discouraged if not prohibited.

During the whole eight years of conflict the Iraqi Government, whatever may have been its shortcomings, persisted with the construction of works for public benefit such as houses, dams, power stations, factories, schools and hospitals. A party of European visitors, of whom I was one, witnessed the extraordinary efforts being made to rehouse the populations of Basra and Fao, made homeless by Iranian bombing and shelling. The Iraqi public, as a whole, has participated in this work of reconstruction.

Finally, whereas Ceausescu's regime was irredeemably anchored to communist policies and to state enterprise, the Iraqi Government, now that active hostilities have abated, is endeavouring to encourage private sector investment in industry both locally and foreign under favourable conditions.

Thus a beginning is being made even though there is a fair way to go in loosening the role of the state *vis-à-vis* that of the individual.

I wonder when Mr Mortimer was last in Romania and Iraq.

Richard Beaumont,
Ridings Cottage,
Seaton,
Uppingham, Leicestershire

FOREIGN AFFAIRS

Wages of romanticism

Despite the sanctions it has imposed, the West may be trying too hard to be kind to China, argues Jurek Martin

Too much can be read into American State of the Union messages. His troop cuts proposals apart, the address delivered by President George Bush last week was pretty run-of-the-mill stuff. Students of the genre will have noted the near-obligatory quote from Churchill, another from Longfellow, thus ringing the changes on Robert Frost, and a necessary extract from Abraham Lincoln.

But close observers of George Bush will have picked up something else. In the entire speech his only reference to China was another quotation – from the Chinese author, Lin Yutang – but it was applied not to the Middle Kingdom, nor to the terrible events that took place in China last year, but to the United States itself. "Today," Lin Yutang wrote of his own country in another age, "we are afraid of the simple words like goodness and mercy and kindness."

The sentiment fits Mr Bush's perception of his own "kinder, gentler" presidency but his selection of a Chinese source merely confirms what has become increasingly evident in recent months: that, at heart, the President of the United States is a hopeless romantic when it comes to China. The 13 months he spent in Peking as head of the US liaison mission in the mid-1970s made an indelible impression on him. Like so many others before him, President Bush somehow feels he "knows" China and how to deal with the Chinese. It is the sort of confidence that, for example, allowed him to take in his stride the rebuff last year when China prevented him from meeting its leading dissident, the scientist Fang Lizhi, in Peking.

So it was that in the week before the State of the Union message he used all his considerable political clout to persuade the Senate not to override his veto of a bill that would have allowed Chinese students to remain in the US after the completion of education courses. He claimed, narrowly but correctly, that he had the administrative powers to prevent their forced return, but that really was not the point of his veto. The Congressional bill, in his view, would have sent the wrong signals to China. It would have impaired his ability to persuade the current regime in China to see the error of its ways.

For that task, he prefers his own emissaries – Brent Scowcroft and Lawrence Eagleburger from his government, Richard Nixon and Henry Kissinger in freelance capacities – operating with the nods and winks the Chinese understand. Or, in the more refined atmosphere of the multilateral institutions, he is prepared to use American voting power and the offices of another American Asian romantic – Mr Barber Conable, the World Bank president. He admitted in Davos over the weekend that his board was split on the issue of resuming lending to China after a seven month hiatus but that he was in favour "because it would be wrong to cut off 1.1bn poor people from access to Bank funds."

Comparisons may be made between Mr Bush's attitude to China and Mrs Thatcher's towards South Africa. She can hardly be blamed for claiming that keeping lines of communication open with South Africa in the end paid off, and, if internal change for the better does come to China, he will doubtless do the same. Mrs Thatcher's opposition to sanctions, whose advocates can equally claim a measure of success, was as much rooted in ideology as in any inherent sympathy for the white regime in Pretoria. Mr Bush, on the other hand, does not seem to be an ideological President. He has his crusades – and against General Noriega he dispatched his crusaders to Panama to carry the flag – but they do not easily conform to any ideological pattern, nor to a "kinder, gentler" America.

President Bush has his crusades, but they do not easily conform to any ideological pattern, nor to a 'kinder, gentler' America

South Africa and China, otherwise so different, have long been international hard cases. South Africa's progressive isolation from the world over 40 years has been, for it, a painful experience, China's over centuries more a matter of preference. External political and economic leverage over South Africa has, therefore, always been easier. Britain certainly knows in relation to Hong Kong how hard it is to shift China.

But in an age when democracy is breaking out all over, it appears anomalous that a nation so indifferent to the legitimate aspirations of its citizens should be able to get away with conducting business as usual in its external relations. No matter what gloss the Chinese government now puts on the events of last June – and the Chinese embassy in London is not above suggesting to this newspaper that it has been guilty of "incorrect" thinking in its reporting – Tiananmen Square was an appalling massacre. Even if it had not happened, what China continues to do to Tibet would be sufficient grounds in itself for universal condemnation – and some form of international ostracism. Yet the British government still will not allow the Dalai Lama, Nobel Peace Prize notwithstanding, officially to see British ministers.

It might have been legitimate, for reasons of realpolitik, to turn a blind eye to Chinese excesses when the Soviet Union, under Brezhnev, was so patently threatening. But that consideration no longer applies. It might even be worth it if China could be persuaded to pull the rug from under the Khmer Rouge in Cambodia – as perhaps, bit by bit, it now is. But the price paid by Cambodia for Chinese sustenance of Pol Pot over the years has been forbiddingly high. China's nuclear capacity is sometimes adduced into the argument as well.

Deng Xiaoping has long held the belief that the West does not really care about how China treats its people and presumably has been reinforced in this conviction by the drift back to normalcy. In reality, the post-Tiananmen sanctions have been pretty mild, involving not much more than a freeze on high level exchanges, military sales, the suspension of soft loans sanctions and a dent in the China tourism business. The mystique that vast money is to be made in China persists, much to the bafflement of the Chinese themselves.

Mr Bush claims that the tempered US response to Tiananmen is already paying modest dividends, for example in the lifting of martial law in Peking itself. But the evidence is frankly thin. Fang Lizhi is still holed up in sanctuary in the US Embassy and the whiff of democracy was hardly discernible in last month's pronouncement by the Chinese chief justice that the people's courts should still "self-consciously accept party leadership."

When, or if, the revolution comes to China, it will surely be brought about for internal reasons – spontaneously or through the progressive decrepitude and incompetence of the current regime. It may be that western ideals will be seen to have played a part in this, but the forces released will be internal, as they have been in the countries of eastern Europe and as they so nearly were in China itself before the crackdown.

This might well give the West pause for thought. For what would a future, more democratic leadership in China think of those countries who were only too happy to do business with the murderers of Tiananmen and Lhasa? The deep resentment among the people of Peking is already obvious – remember the old man in Tiananmen Square who shouted to the soldiers on the day martial law was lifted: "how many people did you kill?"

Lin Yutang was right. But so was Abraham Lincoln, whom Mr Bush quoted last week almost in the same breath. "I hold that while man exists, it is his duty to improve not only his own condition but to assist in ameliorating (that of) mankind." Business as usual may not be the best way of doing that for the people of China.

FINANCIAL TIMES
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BUNDESBANK PRESIDENT POURS COLD WATER ON THE IDEA OF MONETARY UNION

Bonn and East Berlin at odds over economy

By David Marsh in Bonn

THE BONN and East Berlin governments yesterday clashed over measures to deal with East Germany's worsening economic plight as West Germany underlined the obstacles to immediate monetary union between the two states.

On the eve of a meeting in East Berlin today between the East and West German central banks, Mr Helmut Schlesinger, the Bundesbank vice-president, said: "The legal basis of the present economic system (in East Germany) – the planned economy, the central administered system, the lack of opportunities for private capital – means that the idea of monetary union at the moment is very unrealistic."

The Federal Republic also rejected a call by Ms Christa Luft, the East German Economics Minister, for a payment of DM10bn-DM15bn ($6.05bn-$8.9bn) from Bonn to compensate East Germany for the difficult conditions surrounding its post-war recovery.

Mr Dieter Vogel, a Bonn government spokesman, also turned down the idea of introducing the D-Mark as East Germany's currency before East Berlin had committed itself to "rigorous" market-oriented measures. The mere introduction of the D-Mark without accompanying steps "would neither increase the competitiveness of the East German economy, nor stop emigration (to the west)," Mr Vogel said.

Prime Minister Modrow (left) with Christian Democrat leader Lothar de Maiziere (centre) and mediator Peter Moreth yesterday

Mr Theo Waigel, the West German Finance Minister, has declared that Bonn is willing to extend the D-Mark to East Germany if East Berlin first takes measures such as reforming prices and dismantling the command economy.

Illustrating the gap with Bonn, Mr Karl Grünheid, chairman of the East Berlin Government's economic committee, yesterday ruled out sweeping changes in subsidised prices before the March 18 elections.

Mr Grünheid also revealed that the Government expected East German production to fall by 4-5 per cent this year as a result of general dislocation, labour shortages and reduced exports.

The East German Government plainly believes that big increases in prices for basic goods would add further to electoral discontent. Mr Grünheid pointed to the sheer technical difficulty of reviewing hundreds of thousands of prices within a few weeks.

Over the question of a fixed exchange rate for the East German Mark, Mr Schlesinger pointed out that East Germany had five different exchange rates for its currency. "I could imagine that East Germany would need to establish one fixed, though not irrevocably unchangeable, exchange rate to give an orientation to the economy," he said.

But he turned down the idea that the Bundesbank should be responsible for policing the East German Mark exchange rate. "We would not be responsible for maintaining it (the fixed rate). That would be the job of East Germany."

Mr Schlesinger said that "the most appropriate rate (for the Mark) cannot be established in advance." East and West German economists have suggested setting a fixed rate of between 2 and 5 Marks to the D-Mark. This compares with the present unregulated foreign exchange rate of about 7 to 1 and the 4.5 to 1 at which export proceeds are changed into domestic currency.

"The Federal Republic's own experience (of introducing the D-Mark after the Second World War) taught us that it is better, at the beginning, to go in the direction of under- rather than over-valuation," Mr Schlesinger said.

He added that comparisons with West Germany's 1948 currency reform were "inappropriate." In order to reduce the inflationary post-war monetary "overhang", cash and deposits were exchanged on the basis of DM6.5 for 100 Reichsmarks. "Then, the economy in Germany was in a chaotic condition – money had no function, and everyone was waiting for currency reform. Conditions are not the same today in the GDR – with an average of 7,000 Marks savings for most households, it is not as though the people are swimming in money."

Mr Schlesinger said: "The important thing is that the GDR should first decide a price reform where prices are put on a market-oriented basis, and are raised to a level where they cover costs."

Modrow brings in the opposition, Page 2

Tension rises between Pakistan and India

By Our Foreign Staff

TENSION rose sharply between India and Pakistan yesterday over the crisis in Kashmir.

A nationwide strike in Pakistan in solidarity with Moslem separatists in India's troubled state of Jammu-Kashmir paralysed Pakistan's major cities, and Indian border forces opened fire on demonstrators near the ceasefire line in the disputed territory.

Pakistani reports said one man was killed after he crossed the ceasefire line, tore down an Indian flag and attacked an Indian border guard. A further 13 men who did not cross into Indian-held territory were wounded. Indian accounts of the incident said 10 people were wounded and did not mention a death.

The incident comes at a time when fears have been expressed in both countries that the dispute over Kashmir could carry them to war, notwithstanding the anxiety of both governments to avoid a confrontation.

According to Indian accounts, a crowd of 4,000 people chanting anti-Indian slogans gathered near the border. Some crossed the border after Pakistani forces failed to dissuade them and set fire to crops on the Indian side. Indian border security forces then opened fire to restore order.

The Pakistanis say protesters chanting "Down with India" and "Indian imperialists" marched from the small town of Sochaitgarh to the border at Sialkot. As they shouted abuse at Indian troops from fields on the Pakistan side, one man ran across the line. His attack on a soldier prompted the soldier's companions to open fire.

The national strike in Pakistan marked the beginning of "Kashmir week" in solidarity with the "independence fighters" in Indian Kashmir.

In Rawalpindi, stone-throwing demonstrators chanting "Death to India" set fire to tyres and waved sticks as about 20,000 demonstrators, waving banners and shouting slogans, swarmed into the city's main park.

Calls for a "jihad" (holy war) were contrary to the conciliatory attitude taken by Ghulam Jatoi, the leader of Pakistan's Parliamentary opposition, earlier in the day. "The nation stands united on the Kashmir issue," he said.

● Srinagar, capital of India's north-west state of Kashmir, had no newspapers for the 11th consecutive day yesterday as a result of the continuing withdrawal of curfew passes from local journalists, our Srinagar Correspondent writes.

State authorities withdrew passes from journalists, preventing them from moving around the city for much of the day – as part of the security crackdown imposed on January 25. At the same time the telex room in the central telegraph office was locked, press telephone calls were refused and all visiting journalists – foreign and local – were asked to leave the state.

Editors of local papers have protested against the "censorship" of the local press and asked for the renewal of curfew passes.

They were told by the newly appointed state governor, Mr Jagmohan, that the measures would have to continue "like this for a few more days until the situation shows signs of improvement."

Demonstrators burn tyres in Rawalpindi yesterday during a general strike in sympathy with Moslem separatists in the Indian state of Jammu-Kashmir

As well as obstructing local newspapers, the authorities have jammed reception of Pakistan television. Kashmiris complain that Indian television gives only the government version of events in their state.

Japanese buying of property abroad rises

By Stefan Wagstyl in Tokyo

JAPANESE investment in foreign real estate is soaring and is set to top $10bn in the year to the end of March, according to forecasts based on figures from the Japanese Ministry of Finance.

According to the ministry, investment in foreign real estate, principally in the US, totalled $5.94bn in the six months to the end of September, compared with $8.64bn in the whole of the year to March 1989.

By adding other planned investments which have already been announced, estate agents said yesterday the total could easily exceed $10bn for the year. Deals announced since September include Mitsubishi Real Estate's proposed $846m acquisition of a stake in the Rockefeller Group, owner of the Rockefeller Center in New York.

The ministry's figures understate the true value of Japanese holdings of foreign property because they include only funds transferred from Japan and exclude locally-borrowed money. Estate agents estimate that the total could be three times higher.

Mr Hajime Tsuboi, chairman of Mitsui Real Estate Development, a leading property company, recently forecast that Japanese investment in overseas property would continue to grow rapidly. Japan had in the space of a few years acquired as much property in the US as Britain had bought in a century, he said in a newspaper interview.

The Finance Ministry has urged Japanese companies to be cautious to avoid fuelling anti-Japanese sentiments in the US. For this reason, some investors have tried to diversify by putting more funds into Europe in the past two years. The US share fell from 80 per cent in 1987 to 65 per cent last year, according to the ministry. However, the ministry's figures exaggerate the shift because some companies have taken to disguising their involvement in the US market – by raising more funds locally.

Japanese property brokers continued to expand.

UK rights issue, Page 21

Palestinian held over bus attack

Continued from Page 1

Egypt, reacting with anger and dismay to the worst terrorist incident on its soil involving Israelis since it signed its 1979 peace treaty with the Jewish state, launched a nationwide manhunt for the gunmen

President Hosni Mubarak telephoned Mr Shamir to express his deep regrets. Mr Faisal al-Husseini, the senior pro-PLO figure in the Israeli-occupied territories, also condemned the killings – as did the PLO in a statement from Tunis – amid concern that such attacks could jeopardise the peace process.

UK Ford strike hits Belgians

By Kevin Done and John Gapper in London

THE IMPACT of strikes by Ford UK workers spread further yesterday as Ford of Europe was forced to halt production of its Sierra model at Genk, Belgium, its biggest European assembly plant, and lay off a further 7,000 workers.

The move coincided with the start of an indefinite strike in Britain by 1,600 members of the EETPU electricians' union who are protesting against the introduction of flexible work teams and conditions placed on gaining various skills allowances.

They joined more than 550 maintenance workers at Halewood, Merseyside, whose three-week unofficial strike had even before yesterday led to the closure of the company's plants in Halewood, north-west England, and Southampton, southern England, and the laying-off of some 13,000 workers, including 3,000 at Genk.

Ford said it had lost production yesterday only at Southampton, Halewood and Genk, and it had not laid off any more workers in the UK.

At some plants, including the vehicle body facility at Dagenham near London, the effects of the EETPU strike were lessened by a decision among members of the EPIU, which broke away from the EETPU in 1988, to work normally.

At Genk, production of Sierras, currently running at 1,370 a day, was halted by interruptions in the supply of 2-litre petrol engines from Dagenham, Ford's sole European source for this power unit.

Output is due to resume today and should continue on Wednesday. Ford said no decision had been taken about production later in the week, although the company was hopeful that output could be maintained.

WORLDWIDE WEATHER

		Y'day midday °C	°F
Ajaccio	S	16	61
Algiers	S	16	61
Amsterdam	S	10	50
Athens	F	15	59
Bahrain	C	18	64
Barcelona	F	11	52
Belfast	C	12	54
Belgrade	S	12	54
Berlin	S	10	50
Biarritz	S	20	68
Birmingham	F	11	52
Blackpool	F	12	54
Bombay		—	—
Bordeaux	S	15	59
Boulogne	F	13	55
Bristol	S	13	55
Brussels	S	12	54
Buenos Aires		—	—
Budapest	S	11	52
Cairo	F	16	61
Cape Town		—	—
Cardiff	F	13	55
Chicago †		—	—
Cologne	S	11	52
Copenhagen	F	8	46
Corfu	S	18	64

		Y'day midday °C	°F
Dallas		—	—
Dublin	C	13	55
Dubrovnik	S	15	59
Edinburgh	F	13	55
Faro	C	15	59
Florence	S	12	54
Frankfurt	S	7	45
Geneva	S	7	45
Gibraltar	C	16	61
Glasgow	C	12	54
Guernsey	F	9	48
Helsinki	R	2	36
Hong Kong	F	16	61
Innsbruck	S	7	45
Inverness	R	12	54
Isle of Man	C	11	52
Istanbul	F	9	48
Jersey	S	10	50
Johannesburg		—	—
Las Palmas	S	22	72
Leeds	F	14	57
Lisbon	F	14	57
Locarno	S	8	46
London	S	12	54
Los Angeles †	S	8	46
Luxembourg	S	6	43

		Y'day midday °C	°F
Madeira	F	17	63
Madrid	F	9	48
Majorca	C	16	61
Malaga	F	16	61
Malta	F	16	61
Manchester	C	12	54
Melbourne	C	19	66
Mexico City		—	—
Miami †	C	18	64
Milan	Fg	3	37
Montreal †	C	-15	5
Moscow	C	2	36
Munich	S	11	52
Nairobi	F	27	81
Naples	S	16	61
Nassau		—	—
Newcastle	C	14	57
New Delhi	S	21	70
New York †	C	-4	25
Nice	S	16	61
Nicosia	S	17	63
Oporto	S	16	61
Oslo	C	9	48
Paris	S	11	52
Peking	S	0	32
Perth		—	—

		Y'day midday °C	°F
Prague	S	11	52
Reykjavik	C	-1	30
Rhodes	S	15	59
Rio de Janeiro		—	—
Rome	S	16	61
Salzburg	S	9	48
S'Francisco †	F	6	43
Santiago		—	—
Seoul	F	1	34
Singapore	F	31	88
Stockholm	C	9	48
Strasbourg	C	8	46
Sydney	S	25	77
Tangier	F	18	64
Tel Aviv	F	15	59
Tenerife	S	20	68
Tokyo	F	5	41
Toronto †	C	-8	18
Tunis	F	17	63
Valencia	Dr	12	54
Venice	C	7	45
Vienna	S	8	46
Warsaw	C	7	45
Washington †	S	-1	30
Wellington	F	22	72
Zurich	S	6	43

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Bush fails to calm fears over warming

Continued from Page 1

criticised by both US and European environmental groups. Mr Daniel Becker of the Sierra Club, an influential US organisation, said the speech was "a gross disappointment. There was more talk in the speech about economics than about the environment."

Other environmentalists expressed regret that Mr Bush had not announced specific US commitments on energy conservation and reductions in carbon dioxide pollution which is the leading contributor to global warming.

Mr Bush promised "aggressive and thoughtful" action on environmental issues, while stressing that "many questions remain to answered."

Throughout, he argued in favour of market mechanisms and incentives of the free-enterprise system, maintaining that policies "must be consistent with economic growth and free-market principles in all countries."

He said solutions must be as specific and cost-effective as possible: "If we hope to promote environmental protection and economic growth around the world, it will be important not to work in conflict but with our industrial sectors.

That will mean moving beyond the practice of command, control and compliance toward a new kind of environmental co-operation, and towards an emphasis on pollution prevention, rather than mere mitigation and litigation."

His caution follows an intense argument within the Administration with the final speech being edited by Mr John Sununu, White House chief of staff, after calls for a tougher line from officials in the State and Energy Departments and the Environmental Protection Agency.

Mr Sununu has said he acted in view of "a tendency by some of the faceless bureaucrats on the environmental side to try and create a policy in this country that cuts off our use of coal, oil and natural gas.

"I don't think Americans want not to be able to use their automobiles," he said.

THE LEX COLUMN

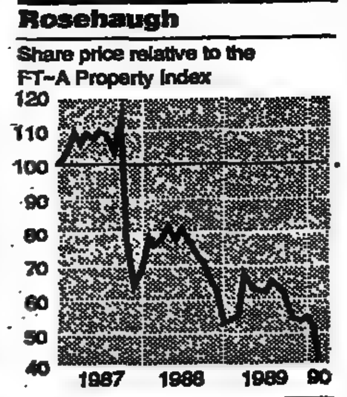
Rosehaugh papers over the cracks

Rosehaugh's rights issue, a first sign of serious pain among large UK property companies, would be less of a worry if Mr Bradman were a special case. But it would be wrong to blame his predicament just on flashy off-balance sheet financing, grandiose projects like Broadgate and King's Cross or his uneasy relationship with his partner Mr Stuart Lipton. Comforting though it might be if Rosehaugh's £125m cash call were a one-off tale of an over-ambitious developer having to eat humble pie, the facts suggest a more general malaise.

Given the depth of the rights issue discount (at 200p, the new equity is at one-fifth of the share's all-time high) it was no surprise that Rosehaugh's shares fell 20 per cent to close at 370p yesterday. But it also makes sense as a reaction to new evidence of strains on Rosehaugh's finances, specifically the last seven months' £148m jump in net on-balance sheet debt.

This jump refers not to Broadgate, or Mr Bradman's other prestige London developments, but to 50-odd much less unusual schemes across the UK ranging from offices in the West Country to shops in the Home Counties. The inference is that as the property sector's capital values and rental growth have worsened, so Rosehaugh has been unwilling to sell properties and its borrowing level has ratcheted up. This is bad news, given that last year less than 10 per cent of Rosehaugh's interest outflow was covered by its rental stream.

Not that the Broadgate entanglement is necessarily making things easier: partly because its 3.5m sq. ft. are still consuming £80m of annual financing costs, and partly because of Mr Bradman's reluctance to sell out to Mr Lipton. Nor is this a return to 1974: but when an operator as sophisticated as Rosehaugh is struggling, one wonders how things are for the smaller fry.



Laing Properties

Aside from the hoary old problem of the sharp run-up in the Laing Properties' share price ahead of the offer, yesterday's £441m breakup bid by P&O/Chelsfield was beautifully timed. Hours after one of the sector's former glamour stocks upset its fans with a nasty cash call, enter a couple of the UK's smarter property operators with a cash bid pitched almost £1 above Laing's all-time peak.

It is a year since Rodamco's bid for Hammerson failed. Yet it no longer looks to have been such a cheap bid. The overall market has risen by a quarter, yet property shares have gone into a nosedive. Suddenly, the re-appearance of a cash bidder looks rather attractive, especially if other companies are to follow Rosehaugh's example and start diluting their net asset value per share in order to repair their balance sheets. There may be other cash bidders waiting to pick off the more vulnerable, but the current predatory pair are in a much stronger bargaining position than they were a year ago.

The idea that Laing is protected by its large family trust holdings is misplaced. The trustees should be more sensitive than many managements to maximising shareholder value. Meanwhile, the idea that property companies should be taken out at a premium to asset value has long since evaporated and another 50p per share on the offer price will probably clinch the deal. The only real surprise is that P&O seems to have managed to convince its bankers to finance a bid by a jointly owned and highly geared associate without any guarantees from itself.

Consumers

The picture may still be a little cloudy, but it seems increasingly clear that the Chancellor's squeeze on consumers is working. The 1.9 per cent rise in December retail sales is generally agreed to be the result of consumers bringing forward January purchases. Figures from John Lewis indicate a steady drop-off in volume since Christmas, and analysts are expecting the official data to show around a 1 per cent decline in January. And even though volumes were up in December, it may well have been at the expense of retailers' margins.

Even more encouraging for Mr Major is that outstanding consumer credit actually fell by £39m in December, after a long run of increases. That indicates that consumers are financing purchases out of cash balances, rather than borrowings. In itself, the trend may explain M0's awkward tendency to overshoot its target range; it also confirms the impression that shoppers are trading down to low ticket items, as borne out by WH Smith's healthy sales.

The figures will surely make the Chancellor even more cautious about either a further rise in base rates or a tax increase. With some building societies mooting a further mortgage rate rise and with last year's rises now working through to annual mortgage settlements, consumers will continue to be under pressure. Any further tightening might smack of overkill.

Ferranti

There is something glumly familiar about the news that Ferranti's £187m rights issue is to be cancelled only to be replaced with another one a third of the size. Like the first, this one is not supposed to happen, merely to give Ferranti elbow room in selling itself off. If Marquardt is not sold by the end of May, shareholders have to stump up £62m – roughly the expected sale price – to get Ferranti's 29 bankers off its back. For this they get paper yielding 20 per cent; but if Marquardt has still not been sold by the end of the year, the paper is swapped for straight (and presumably non-yielding) equity.

There is an alternative. The arrival of the new Ferranti chairman is apparently due within a week or two. When his strategy is in place, it may be possible to persuade a smaller number of more committed banks to pay off the 29, who are due their money by May 31 whatever happens. If so, the whole affair could be represented as a model rescue by the UK banking community. But as it stands, the impression is rather the reverse. It would appear that the banks agreed to last Friday's cancellation of the original rights issue without knowing the second one was planned. Nevertheless, Ferranti remains on the list of basket-cases, from Lowndes Queensway to Coloroll, where the safety net is being provided not by the banks but by the institutions.

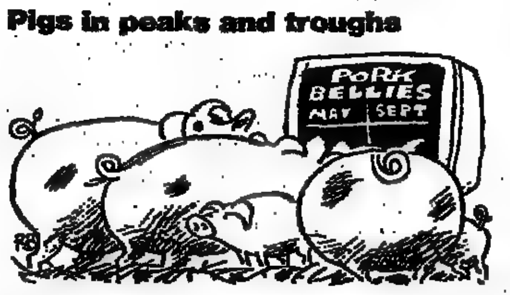
FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 6 1990

INSIDE

Former directors of UTC receive £1m

Former joint managing directors of UK financial and property services company, UTC, who *left after a policy disagreement*, have shared almost £1m ($1.7m) in compensation. Mr Geoffrey Simmonds and Mr Richard Owen received payments to buy out their five-year contracts. The company reported a pre-tax loss of £396,501 for 1989, against profits of £5.79m in the previous year. UTC was pulled into the red by provisions on equity investments made under the direction of the two men but approved by the entire board. Clay Harris reports. Page 27

Pigs in peaks and troughs

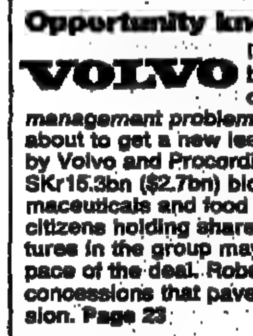


Farmers face a tough time forecasting prospects in the pig market as prices fluctuate wildly from loss to profit and back again, while production costs continue their inexorable rise. The "pig cycle" is notorious and usually follows a fairly predictable course, with peaks *and troughs about every five years*. But the speed of this most recent boom and bust has bewildered even hardened practitioners. Part of the problem has been an unwillingness on the part of the Japanese to commit themselves to a full-year contract for pig products from Denmark. This left the Danes with a surplus to dispose of, much of which was sent to Britain. Page 32

Opportunity knocks

VOLVO It looks as if Sweden's biggest corporate takeover, bogged down by *management problems for seven weeks*, is about to get a new lease of life. The decision by Volvo and Procordia to open their SKr15.3bn ($2.7bn) bid for Pharmacia, the pharmaceuticals and food products company, to US citizens holding shares or convertible debentures in the group may help to quicken the pace of the deal. Robert Taylor reports on US concessions that paved the way for the decision. Page 23

Pretoria profits from reform



That old Rothschild adage — buy when the armies are at the city gates and sell when the trumpets announce their retreat — neatly sums up the attitudes of many South African investors following Friday's momentous announcements by President F. W. de Klerk. The Johannesburg Stock Exchange lifted off, hit by a wave of foreign and local investment buying. The industrial index rose 3.9 per cent to 3,031, from 2,918. However, by yesterday reaction had set in as local holders of mining shares took their profits and let scrip go to foreigners. Page 44

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Allianz AG	2790	+	50	Euro Disney	104.5	+	12.9
Colonia Versich	1128	+	48	Europe No 1	1279	+	71.9
Goldschmidt TH	503	+	18.5	Geophysique	1245	+	74.2
Hochtief	1200	+	20	Strafor	1288	+	83.0
Muench Rueck	2595	+	140	Falls			
Falls				Michelin	144.9	—	66.3
Leifheit	680	—	30	Peugeot SA	735	—	23.2
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Green Tree Acep	12¼	+	1¼	Chuo Woolen	910	+	100
Holiday	63⅞	+	3⅝	Fudo Const	1370	+	110
Newmont Gold	56⅜	+	1⅜	Kasai Kogyo	1350	+	110
Pan Am	3⅞	+	½	Kyowa Elec	2060	+	300
Upjohn	36⅞	+	⅞	Nichimo	2600	+	250
Falls				Teikoku Sen-i	2240	+	300
Genentech	28½	—	1⅜				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				GKN	415	—	8
Amstrad	54	+	6	Greycoat	425	—	9
BTR	444	+	2	Hawker Siddeley	663	—	5
Great Walker	367	+	10	Lloyds	300	—	8
Euro Disney	1113	+	140	Lucas Inds	617	—	9
Hambros	300	+	11	Priest Mar	223	—	35
Laing Props	653	+	89	Securicor Grp	825	—	15
Rolls-Royce	181	+	2	Standard Chart	598	—	8
Trafalgar Hse	345	+	2	Vickers	211	—	4
Falls							

UK property group in £125m rights issue

By Andrew Hill in London

EVIDENCE of further weakness in the UK's commercial property market surfaced yesterday as Mr Godfrey Bradman, chairman of Rosehaugh, asked shareholders for £125m ($208m) to shore up the property company against slowing demand and rising interest rates.

More than 20 per cent was knocked off the value of the one-time stock market favourite when Mr Bradman announced a deeply-discounted one-for-one rights issue. However, he denied the company was short of cash.

The unwelcome rights issue coincided with news that J. M. Jones, a large, privately-owned construction and property development group hit by higher interest rates, had called in the receivers and had debts of £50m.

At the same time, Peninsular and Oriental Steam Navigation Company, and Chelsfield, a private company, have taken advantage of depressed share prices in the property sector to launch a £441m joint bid for Laing Properties.

Rosehaugh, which is heavily involved in the large Broadgate and King's Cross developments in London, is asking shareholders to buy one new share for every share held, at 200p each – less than half yesterday's opening price of 465p.

The shares dropped 95p on the news, closing at 370p, well below the shares' value at the peak of the 1987 bull market, when they were worth £11.60 apiece. Mr Bradman said the issue had not been underwritten because the shares were being offered at such a substantial discount.

"We don't have a cash flow problem," said Mr Bradman yesterday. "This [the rights issue] is not something that has suddenly crept up on us – it's part of a planned strategy that has been in existence for 15 months."

During the 1980s, Rosehaugh's softly-spoken chairman earned wide respect in London's financial sector as a shrewd financier. But analysts have speculated recently that, faced with high interest rates and falling commercial rentals, the web of joint ventures and associate companies built up by Mr Bradman might be over-stretched.

Rosehaugh revealed yesterday that its net borrowings had increased from £262m to £410m between the June 30 year-end and the end of last month, following an expansion of trading stock and development work in progress.

The issue of 63m new shares would reduce borrowings to £285m and increase net assets, taken at June 30, from £479m to £604m. Mr Bradman explained that it would also help safeguard the value of those assets and prevent the group having to become a forced seller of trading stock.

Lex, Page 21; Passing of the halcyon days, Page 27

Brief encounter and divorce, Italian-style

Enimont's problems exemplify the difficulty in Italy of combining private and public capital in a fruitful union, reports John Wyles

Richly endowed with hindsight, any business consultant would have been strongly tempted to advise Italy *to get out of the chemicals* industry.

For more than two decades, no other sector has seemed quite so prone to that peculiar "Italian sickness" of continual political interference leading to bad public policy. Combined with a weak private entrepreneurial spirit, it has served only to consume vast quantities of public money without offering any real hope of sustained recovery.

In the 1980s, the industry began to benefit from a new national determination to turn around the walking wounded in both the public and private sectors.

After Enichem, the public company, and Montedison, a private concern, made impressive strides in restructuring and concentrating on their profitable activities, their joint creation last year of Enimont – number eight in the world chemicals league – seemed to promise new progress in closing the *formidable* gap in products and technology between Italian chemical companies and their main European rivals.

Yet after only six months and despite a profit of about L900bn ($719m), Enimont threatens to become another sorry example of the difficulties in Italy of combining private and public capital in a fruitful union. As everyone involved struggled to maintain a certain level of public courtesy, there was no challenging last week's dismissive public assertion by Mr Paolo Cirino Pomicino, the budget minister, that "cohabitation in Enimont is no longer sustainable."

Divorce now looks the most *probable option that will be considered* in the coming month by the Andreotti Government and Enimont's two principal shareholders – Eni, the state energy group, and Mr Raul Gardini's Ferruzzi-Montedison.

The Government has given the go-ahead for a possible re-negotiation of Enimont's founding agreement against an effective deadline of February 27. That is when the company's shareholders are to meet to nominate two outside directors as representatives of the 20 per cent of capital that was floated last autumn.

The task is not an easy one because it involves clarifying basic questions of ownership and control which were evaded in the original agreements that launched Enimont a year ago. In the absence of initial detailed understandings over industrial strategy, Eni and Montedison's equal 40 per cent shareholdings have proved a recipe for more than a little inertia.

"The company has a single need which cannot be delayed – finally to have a single point of reference which puts an end to conflicts and uncertainties which have characterised its existence until now," said Mr Lorenzo Necci, Enimont's president, in a recent interview with an Italian newspaper.

Little light has been shed on the details of the conflict, although Mr Gabriele Cagliari, president of Eni, acknowledged that the different natures of the two dominant shareholders was a source of some difficulty. Montedison, as a private company, was looking for faster "short-term" gains, he said, while Eni, as a public enterprise, was "slower and more secure."

In practice this has meant that Mr Gardini has pressed for a swifter programme of plant rationalisation and associated redundancies than Eni will contemplate. He has also initiated an investment programme more tilted towards higher-value-added products and less geographically favourable to the backward southern half of Italy.

In advance of the coming re-negotiation, Eni's intentions are clear and Mr Gardini's rather less so. "We regard chemicals as a strategic business for us, so want to take control of Enimont and we have the resources to do so," says Mr Cagliari, who would probably have to spend more than L1bn to buy out Montedison. He says all the indications are that Mr Gardini's objective is exactly the same.

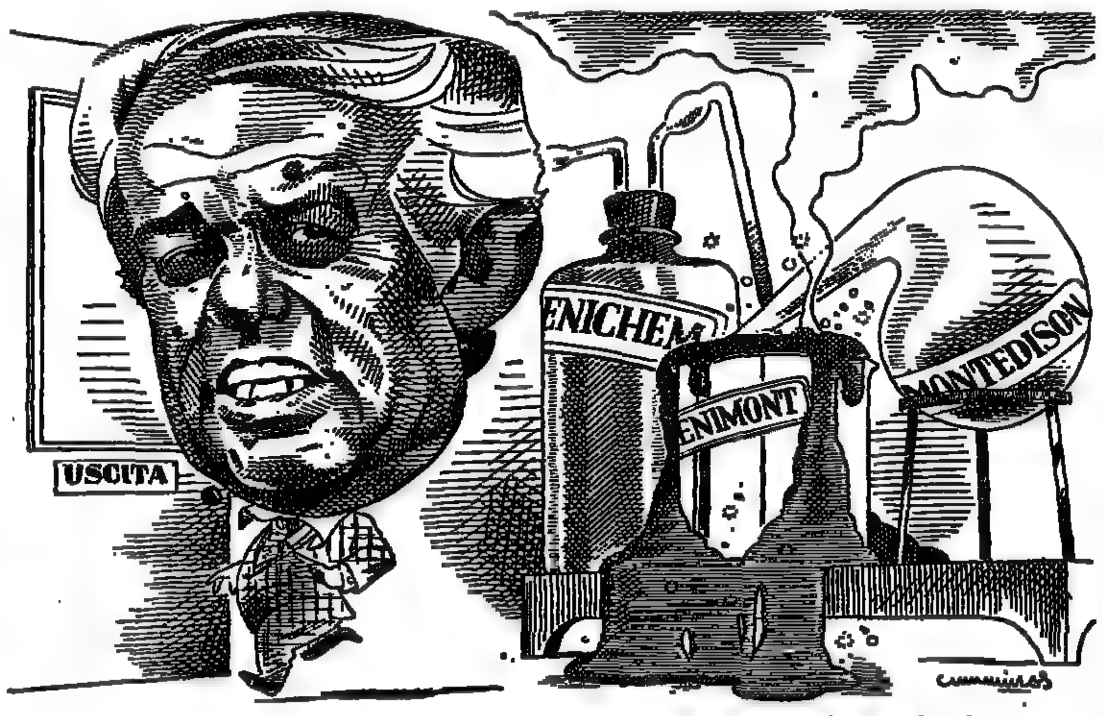
Despite yesterday's blunt declaration by Montedison that its Enimont stake was not for sale, others are less sure. Many believe that having sunk Montedison's less attractive chemical businesses along with L3,500bn of its debt into Enimont, Mr Gardini would be happy to walk away for a handsome return before the petrochemicals cycle turns firmly downwards.

For the majority of the Italian political class, still preternaturally opposed to privatisation, this would be a happy outcome. *It was Mr Gardini who woke* them up to the fact that under the original Eni-Montedison agreement, Enimont could, in certain circumstances, fall under his control.

The possibility that Mr Gardini could control and run Italian chemicals alarmed many politicians to the extent that it has been a factor in parliament's refusal so far to allow him the L840bn of deferred tax payments on capital gains accruing from the Enimont deal.

Political alarm reached critical levels last month when it became clear that the private sector could, after the February assembly, have seven directors on the Enimont board to Eni's five. Few politicians have bothered to find out that a majority would not mean control since, under Enimont's statutes, most strategic decisions would require the approval of eight directors.

As so often in Italy, political attitudes could prove crucial to the outcome of this confrontation. And unlike *elsewhere in Europe, they remain* antipathetic to large-scale privatisations which have been turned around under state control. Certainly Enimont is now profitable, although its L900bn profit in 1989 was well below the L1,065bn the company projected in September. Nevertheless, this is enough to *convince Prime Minister Giulio* Andreotti that there are people in Italy who like "to put things into the arms of the state when things are going badly so as to take them back when things are going well."



Gardini: pressed for a swifter programme of plant rationalisation and redundancies

Drexel suffers losses of $40m

By Janet Bush in New York

DREXEL Burnham Lambert, the US investment bank hard hit by a downturn in the high-yield bond market it pioneered, reported a net loss of about $40m for 1989 on gross revenue of $4.1bn.

Drexel, which is a closely-held company, is not obliged to report results but did so in an unexpected weekend statement.

Officials had earlier indicated that the company expected to do no worse than break even in 1989. That year saw the company plead guilty to securities law violations in a settlement with the Securities and Exchange Commission (SEC) and the criminal indictment of Mr Michael Milken, Drexel's former head of junk bonds.

In 1988, *Drexel had a loss* of $166.7m after paying penalties of $650m as part of the settlement with the SEC.

Drexel said it made a 1989 operating profit of $67m based on preliminary, unaudited figures but that this was wiped out by "investigation-related expenses" of $75m and charges related to discontinued businesses.

The company restructured its operations last year, including the sale of its substantial retail brokerage network and a reduction of its payroll by 45 per cent.

Drexel, which is believed to have substantial holdings of discounted junk bonds, did not disclose losses related to the downturn in the high-yield market since last October.

However, it did say that its $67m operating profit included "mark to market" valuations of its securities holdings – adjusting the value of its portfolio, including junk bonds, according to current market prices – and more than $200m of other unspecified charges which it said were expected to be one-offs. Its equity capital has shrunk to little more than $660m from a high of $1.4bn a few years ago.

Drexel said: "That we wound up the year with only a relatively slight after-tax loss is a *tribute to the professionalism of* our employees and the loyalty of our clients."

The company said it expected to return to profit in 1990 with its break-even point effectively halved because of reduced costs, lower workforce expenditure and an almost 50 per cent reduction in legal expenses.

● Mr Milken has been offered the chance to plead guilty to six felony accounts to avoid an expanded indictment on securities fraud, according to an unconfirmed US press report.

RJR ends year $1.1bn in the red

By Alan Friedman in New York

RJR NABISCO, the US foods and tobacco giant which went private last April in a $25bn buy-out by Kohlberg, Kravis and Roberts (KKR), incurred a full-year loss of $1.15bn for 1989 compared with a $1.4bn net profit for the previous 12 months.

The turnround primarily reflected sharply higher debt servicing charges associated with the buy-out. The group yesterday reported a $144m fourth-quarter loss, against a net profit of $411m previously.

The company pointed out that while its operating income *declined by 13.3 per cent to* $2.05bn, the figure before amortisation of trademarks and goodwill was $2.62bn, or 5.3 per cent higher than in 1988. RJR argued that this improvement was actually 29 per cent better after adjusting for $153m of acquisition-related accounting changes, a 1988 non-recurring gain from a divestiture and the one-time $360m effect of a decision to eliminate excess tobacco trade inventories.

Nabisco's total debts, including notes payable, now stand at $25.7bn. The interest and debt charges on this sum cost the company almost $3.4bn last year; this included $1.75bn of cash interest on bank loans.

The company was at pains yesterday to stress that cash flow from operations after interest payments totalled $647m in 1989, against previous expectations of a negative cash flow of about $300m.

Fourth-quarter revenues were unchanged at $3.5bn, while full-year 1989 revenues were 1 per cent higher at $12.76bn. The full-year sales figures included a 1.2 per cent rise in tobacco sales to $6.98bn and a 3.9 per cent increase in food business sales to $5.78bn.

The company has made $5bn of asset disposals so far, including last year's $2.5bn sale to BSN of France of its European foods businesses. Under a deal with its banks, Nabisco is expected to sell an additional $500m to $1bn of holdings by next August.

RJR Nabisco's $6.6bn of junk bonds, hard hit in recent weeks after a downgrading of Nabisco's rating by Moody's, recovered following results unveiled yesterday morning. However, by the spring of 1991 RJR Nabisco will have to increase the coupon on these high-yielding bonds because of a *"reset feature" and this will* increase the company's debt costs.

Mr Lou Gerstner, the RJR Nabisco chairman who previously ran American Express, said he was pleased with "the fundamental improvements in operations during our first year as a private company."

GEC may control Plessey units

By Michael Skapinker and Hugo Dixon in London

BRITAIN'S General Electric Company is talking to Siemens of West Germany about taking full control of the semiconductor and aerospace activities of Plessey, the company they purchased jointly last September.

GEC and Siemens had originally agreed that the two businesses would be jointly owned. *The two companies are expected* to reach agreement on the division of Plessey next month.

They originally announced that the German company would assume management control over Plessey's semiconductor business, although it would be jointly owned. Because Plessey's semiconductors are used in defence equipment, the UK Ministry of Defence insisted that the division should not pass wholly into German ownership.

Siemens is Europe's second-largest semiconductor manufacturer *after Philips of the* Netherlands. If it is not able to incorporate Plessey's semiconductor business into its own, it is thought that the German company might allow GEC sole ownership.

If GEC does gain full ownership of Plessey's semiconductor activities, this will ensure that the UK retains some presence in *the computer chip industry*. Inmos, which pioneered the transputer computer-on-a-chip, passed out of British hands last year when Thorn-EMI sold it to SGS-Thomson, the Franco-Italian semiconductor company.

Plessey, which purchased Ferranti's semiconductor division in 1988, recorded sales of chips and other electronic components of £190.5m ($320m) in the year to the end of March 1989. Operating profits were £22.8m.

GEC and Siemens had agreed that they would share ownership *of Plessey's aerospace and engineering* division, which had sales of £127.4m and operating profits of £25.8m in the last financial year. The two companies are now considering full GEC ownership *of the division* because *Siemens* is understood not to be particularly interested in the business.

Failing that, they might sell the business to a third party. GEC and Siemens have already said they will sell the Hoskyns Group, the computer services company in which Plessey has a 74 per cent stake.

If GEC does assume full ownership of the semiconductor and aerospace businesses, the UK company and Siemens will have achieved a relatively clean carve-up of Plessey. It has already been agreed that GEC will take over Plessey's avionics and anti-submarine warfare activities and Siemens its radar *and communication operations.*

INTERNATIONAL COMPANIES AND FINANCE

Bell Resources eases Bond suits

By Chris Sherwell in Sydney

BELL RESOURCES, the Australian company which on Friday launched five petitions to wind up four key units in Mr Alan Bond's troubled business empire, yesterday dropped its action against three of them after reaching out-of-court settlements over the debts they owed.

The move involved small payments from Bond Media, which controls a television and radio network, and two of Mr Bond's private companies, Dallhold Investments and Dallhold Nickel Management.

Significantly, no settlement was announced for the two remaining petitions, which are against Bond Corporation, the Perth businessman's flagship company.

They involve a total of A$28m (US$21.7m) and it is assumed the two sides are trying to reach an accord.

The Bell Resources actions were notable because it is a 58 per cent-controlled subsidiary of Bond Corporation. Its board has executives from the Bond group and Adelaide Steamship under an independent chairman, the result of a threat last December by Adsteam, a 20 per cent shareholder, to put it into receivership.

Friday's moves appeared designed by Adsteam and Bell Resources to position themselves better in relation to other Bond creditors in the event of a liquidation.

Bell Resources has lent at least A$1.2bn to Bond Corporation, a sum which became a "deposit" on its proposed purchase of Bond's brewing assets.

Yesterday's settlements were announced in statements from Bell Resources and the three Bond companies. They said that, as a result of payments made by the Bond companies, the petitions before the Western Australian Supreme Court had either been withdrawn or dismissed.

In a separate development Adsteam, a conglomerate controlled by entrepreneur Mr John Spalvins, yesterday launched an unusual public offensive to help its shares recover some of the ground they lost last week.

Their 14 per cent decline in a week followed a sombre report on the complex group by Australian Ratings, the credit rating agency, warning investors of a deterioration in Adsteam's finances but maintaining its BB-plus rating.

Mr Spalvins released a detailed statement under his own name to the stock exchange forecasting improved interim profits for the six months to December and promising a minimum fully franked interim dividend of 32 cents a share, which compares with 100 cents for the whole of the previous year.

He insisted Adsteam's financial position was strong. Liquidity remained sound because of its asset sales, equity raisings and investments in bank shares, while the A$1.8bn acquisition of Industrial Equity (IEL), which analysts have criticised, "will be a major positive in years to come."

Of the group's vulnerable investment in Bell Resources, he said an after-tax provision of A$30m had already been made, and in the worst case the total write-off would be A$110m. This, he said, should be compared with shareholders' funds of A$1.6bn.

In an otherwise dull day on the stock market, the effect of Mr Spalvins' statement was to lift Adsteam's shares to A$5.60, up 18 cents. At Friday's close they had dropped 88 cents in a week.

ELDERS IXL, an Australian brewing, agribusiness, resources and financial services company, said yesterday that it "is currently considering a possible restructuring of its businesses," AP-DJ reports from Melbourne.

The company will "make a statement on the future strategy and direction. . . at the appropriate time," Elders said in a statement to the Australian Stock Exchange. It has been selling some of its financial services division and is expected to sell several investments, partly to reduce debt.

Polish bank set up last year to be privatised

By David Barchard

BANK Inicjatyw Gospodarczych, a small commercial bank established last June, is to be the first Polish bank to be privatised.

The sell-off is thought to be one of the first in eastern Europe. First Europe Equity and Bond, based in London, is managing the operation.

A total of 15,000 shares in the bank go on sale on Thursday. The buyers must be Polish individuals or private companies. This is the country's first public share subscription by a bank since the Second World War.

Poles will be told of the sale through newspaper and television advertisments.

Bank IG was set up in the middle of last year in response to the new Polish Banking Act, which allowed private capital to be introduced into the banking industry. It holds deposits of Zl 55bn ($5.9m) and has issued the same amount in loans to small companies.

Its current issued capital is 10,685 shares, around 10,500 of which are held by state corporations.

The Polish Treasury does not own any of the bank's capital. After privatisation, more than half the capital will be in private hands.

Each share will have a nominal value of Zl 100,000, but will be offered at a minimum price of Zl 600,000.

Mr Jerzy Scibor-Kaminsky, director of First Europe, said yesterday that Bank IG had been selected for the initial privatisation because its structure was relatively uncomplicated compared to that of larger institutions.

Another 15,000 shares in Bank IG will go on sale later. The bank is also planning an issue of subordinated debt to take its capital above $6m.

Mr Scibor-Kaminsky said that a further five or six privatisation operations were expected to be announced shortly in Poland.

Sears, Roebuck advances after year of transition

By Karen Zagor in New York

SEARS, ROEBUCK, the world's largest retailer, yesterday reported net income for the fourth quarter of $602.1m or $1.76 a share on revenues of $15.18bn.

Earnings in the fourth quarter of 1988 included hefty restructuring and business disposition charges which brought them down to $117.4m, or 32 cents a share, on revenues of $14.56bn.

Excluding the special charges in 1988, Sears' earnings slid 3 per cent in the latest quarter, from $618m in the final quarter of 1988. However, per-share earnings increased about 7 per cent in the latest quarter, from $1.65 in the fourth quarter of 1988.

For the full year, the Chicago-based company reported net income of $1.51bn or $4.30 a share compared with $1.45bn or $3.84 a year earlier. Operating revenues rose 7 per cent to $53.8bn from $50.25bn.

Net income fell slightly from $1.59bn, excluding non-recurring items in 1988. Per-share earnings in the latest year increased from $4.19 a year earlier, partly reflecting the company's share buy-back programme.

Sears reported fourth-quarter operating income from merchandise of $368.6m, compared with $328.5m a year earlier.

These figures exclude a $442m charge in the 1988 quarter which was part of a restructuring of the merchandise group, as well as accounting changes.

The Allstate insurance group, traditionally the jewel of Sears' operations, reported a sharp drop in profits from continuing operations, from $285.2m to $245.4m. The insurance group's profits were hurt by claims from the northern California earthquake and exceptionally cold weather in the south.

The Coldwell Banker real estate operations also reported a decline in profits from continuing operations, from $49.7m in the fourth quarter of 1988 to $15.3m in 1989. The company attributed the drop to softness in US real estate markets.

The greatest improvement came from Sears' Dean Witter financial services group, where income in the latest quarter advanced 84 per cent, to $48.4m from $26.3m.

Mr Edward Brennan, Sears' chairman and chief executive, said the company had completed its restructuring. "It was a year of transition, and much has been accomplished. The company is well positioned as it enters 1990," he added.

Underwriting profit falls at South African Eagle

By Jim Jones in Cape Town

SOUTH AFRICAN Eagle, the insurance company affiliated to Eagle Star, suffered a virtual halving of its underwriting profit in 1989 as premiums came under pressure from the industry's present rates war.

Gross premium income rose 12 per cent to R652m ($255.7m) while the underwriting surplus dropped by 46 per cent to R20.6m. Investment income increased and the pre-tax profit was R69.8m against R80.7m.

Mr Peter Martin, the managing director, attributes the underwriting drop to a substantial loss on the motor account. The account was particularly affected by claims covering the theft of commercial vehicles and cargoes but also suffered as several companies are using motor insurance as a loss leader even though the cost of individual claims has risen strongly.

Net earnings fell to 392 cents a share from 417 cents and the year's dividend has been lifted to 190 cents from 180 cents.

● Carlton Paper, the South African affiliate of Kimberly-Clark, lifted sales strongly in the second half of 1989 following the modernisation and rebuilding of its production equipment. It expects further earnings growth in 1990.

Turnover increased to R317m from R258m and the pre-tax profit was R32.1m compared with R28.9m. The year's sales growth resumed in the second half after plant modernisation.

Net earnings increased to 130.9 cents a share from 95.1 cents and the dividend has been raised to 60 cents from 52 cents.

Rothmans Holdings rises 14% despite lower sales

By Chris Sherwell

ROTHMANS Holdings, the Australasian arm of the UK-based Rothmans International tobacco group, yesterday reported an after-tax profit for the six months to December of A$55.8m (US$43.2m), up 14.4 per cent.

The improvement was achieved in spite of a 2.5 per cent dip in sales revenue to A$873m. The group said this was not part of a trend, but reflected strong wholesale sales the previous year ahead of a new 30 per cent licence fee in Queensland.

The company nevertheless acknowledged that the tobacco industry's cigarette sales had fallen in Australia, New Zealand, Papua New Guinea and Indonesia, but had risen in Fiji.

It added that in Australia and New Zealand the decline of Rothmans' sales was faster than that of the industry, which had led to a marginal loss in market share.

The impact on profits was offset by manufacturing efficiencies and, in Australia, by an increased share of the premium market. In Indonesia the group increased its market share.

Sales of the group's Dunhill and Cartier luxury products were "well below" previous levels following the significant decline in tourism which accompanied Australia's domestic airline dispute.

Overall the profit figure was equivalent to earnings of 55.8 cents per share, up from 49.1 cents. Directors declared an interim dividend, fully franked for local tax purposes, of 29 cents against 25 cents.

Flat earnings at Schlumberger

By Karen Zagor

SCHLUMBERGER, one of the world's leading oil field services companies, yesterday reported essentially flat fourth-quarter income on lower operating revenue as the company benefited from better expense control while the US oil and gas drilling industry was weak.

The New York-based company reported net income for the three months ended December 31 of $118.1m or 50 cents a share, against $118.9m or 49 cents a year ago. Earnings in 1988 included a one-time gain of $22.3m or 9 cents a share. Operating revenue in the latest quarter slipped to $1.20bn from $1.24bn.

For the full year, net income fell to $441.4m or $1.86 a share from $476.1m or $1.80 the previous year. Operating revenue was $4.69bn, compared with $4.92bn a year earlier. Schlumberger said operating revenue was little changed in year-to-year comparisons when adjusted for businesses acquired or sold.

Mr Euan Baird, Schlumberger's chairman, said that operating income for the company's oil field services businesses rose 6 per cent in the year, thanks to new technology and better prices for new services. This was in spite of 1989 being poor for oil field activity, particularly in North America.

Oil prices firmed and activity began to recover as the year progressed, he added. "Given increasing worldwide demand and falling production in non-Opec [oil producing and exporting] countries, in particular the US, we feel that this upward trend will continue."

Hercules group reports large losses for 1989

By Roderick Oram in New York

HERCULES, the aerospace and chemicals group, has reported a large loss for the fourth quarter because of a previously announced write-off on missile programmes. It was also hurt by weaker performances from some of its chemical lines.

The net loss for the quarter was $226.9m, or $4.88 a share, compared with a net profit of $6.5m, or 15 cents, a year earlier.

The full-year loss was $81.3m, or $1.76, against a net profit of $120.4m, or $2.55.

Revenues rose marginally to $773.4m from $748.9m for the quarter and to $3.1bn from $2.8bn for the year.

The company took a $323m pre-tax charge in the quarter on rocket motors for Titan IV and Delta II missiles.

Its accountants told Hercules to write-off all the development costs at this stage rather than spread them over the life of the programmes. About two-thirds of the charge is for costs which may be recovered during production, the company said.

On the chemicals side, start-up problems on a resin extraction plant affected Hercules resin business. It also suffered declining profits from plastic films, as a result of a loss of business in cigarette packaging.

Hercules also incurred high development costs on a number of ventures and equity earnings from Petrocel DMT in Mexico were lower than expected.

IBM links with Next Inc on compatible machines

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines says it plans to offer software that will make its personal computers and workstations compatible with workstations sold by Next Inc, the company founded by former Apple Computer chairman Mr Steven Jobs.

IBM will offer NextStep, a graphical user interface and applications development program that it licensed from Next in 1988, for use on computers running the AIX operating system, a version of Unix.

The move is designed to spur development of application programs for both companies' computers by broadening the potential market for new applications programs. It comes amidst an industry-wide battle to establish software standards based on Unix, the American Telephone & Telegraph operating system.

IBM has been seeking software development support for a new range of workstations, which it is expected to announce next week. In related moves, IBM has acquired equity stakes in a series of small software development firms.

For Next, whose sales have been slower than anticipated since the launch of its workstation in late 1988, the availability of a broad base of applications programs is critical.

A graphical user interface defines the appearance of a computer screen, providing easy-to-use point and click commands. Apple Computer's Macintosh personal computers were the first widely used machines to incorporate such a program.

NextStep makes Unix applications programs easier to use. "NextStep hides the complexity of the Unix operating system while allowing users to take advantage of the benefits of Unix," IBM said.

Mr Jobs, chairman and president of Next, said: "We believe IBM's support of NextStep will have profound implications over time.

"Unix is destined to be an important operating system this decade. NextStep offerings from both IBM and Next will be a dynamic combination."

Application software developers will gain the advantage of two markets for the price of one, IBM said.

Brazil BAT unit ahead despite soaring inflation

By Our Financial Staff

SOUZA CRUZ, the 75 per cent-owned subsidiary of the UK's BAT Industries and one of Brazil's biggest companies, has produced sharply higher net profits for 1989 – 2.01bn new cruzados (currently equivalent to US$143.7m) against NCz1.39bn.

The company says that the figures, adjusted for inflation, reflect an improvement of 43 per cent over a year when inflation reached a monthly rate of more than 50 per cent by December. This was equivalent to an annual rate of almost 13,000 per cent.

The directors add that, before the results are consolidated into those of BAT, they must be adjusted to bring them into line with UK accounting principles.

All sectors made headway. Operating income from tobacco improved to NCz660m from NCz415m, with the company's market share holding its own at 79.7 per cent from 79.4 per cent. Paper and pulp improved to NCz459.4m from NCz398.4m, while the fruit juice activities turned round from a loss of NCz68.7m to a profit of NCz69.6m.

Gandalf cutbacks mean loss of 70 jobs

By Bernard Simon in Toronto

GANDALF Technologies, the Canadian systems supplier, is to shrink its business by narrowing its product range and curtailing manufacturing operations.

The Ottawa-based company said yesterday that the rationalisation will mean about 70 lay-offs in Canada, the US and the UK – where it made an unsuccessful bid for the Case Group two years ago. In future it will concentrate on network components and hybrid networks combining hardware and software.

It is withdrawing from "peripheral areas of business" which require additional investment in product development to become viable.

A Gandalf official said there will no longer be a separate division for the company's Redifacts device, which tracks manufacturing operations.

Gandalf is also looking for a partner for its computerised taxi dispatch system.

The company said it expects to post a loss for the second quarter, which ended on January 27, following a C$1.2m loss in the previous quarter on sales of C$37.9m (US$32.9m). The company said its sales forecasts were not being met.

Gandalf has been through a tumultuous period in the last few years. Its hostile bid for Case floundered in 1988 when its offer was surpassed by one from Dowty, the British electronics group. Last December, its chief executive, Mr James Bailey, quit abruptly.

Provigo in catalogue retailing unit sell-off

By Robert Gibbens

PROVIGO, Canada's second largest food distributor, has sold Consumers Distributing, its troubled catalogue retailing business, for C$165m (US$140m), most in cash.

It will be owned 80 per cent by the Malaysian Berjaya Corporation and the remainder by International Semi-Tech Microelectronics, the Toronto consumer products distributor which controls the Singer sewing machine operations.

Semi-Tech will manage Consumers Distributing – which has more than 200 catalogue outlets across Canada – and has an option to increase its interest to 49.9 per cent.

Provigo, now concentrating on its core food distributing activities in Canada and the western US, will use the sale proceeds to reduce debt.

Last year Semi-Tech paid £47m (US$79m) for part of European Home Products, which sells Singer products and electronics goods.

CANADIAN NEWS IN BRIEF

Southam sets up bid defence

By Robert Gibbens in Montreal

SOUTHAM, one of Canada's largest communications groups, has adopted a shareholder rights plan as a poison pill defence against an unfriendly bidder.

If one bid is made for all the common shares, the plan would not be triggered. But if a hostile bidder acquired 15 per cent or more, existing shareholders could buy new shares one-for-one at a 50 per cent discount from the market price.

Analysts say this means that an outside takeover of Southam, which publishes 16 daily papers and owns several big commercial printing plants, would cost at least C$2bn (US$1.7bn).

Under a 1985 agreement that expires in June, Torstar Corporation, publisher of the Toronto Star, the country's largest daily paper, owns almost 23 per cent of Southam and Southam owns a 30 per cent non-voting interest in Torstar. The Southam family holds 23 per cent of Southam.

● Imperial Oil will now complete the C$5bn takeover of Texaco Canada following agreement to sell all Texaco's assets in the Atlantic region, including a small refinery. The move meets objections by the Federal Competition Tribunal.

Earlier, Imperial – controlled by Exxon – agreed to guarantee a supply of oil and petrol to independent retailers across Canada.

Imperial will now sell all 200 Texaco service stations in the Atlantic region, plus storage terminals and the refinery at Halifax, which processes 25,000 barrels a day (b/d).

● Inco, the world's largest company in the nickel industry, expects the sale of 20 per cent of its Indonesian nickel-mining subsidiary to the public to raise between US$300m and $400m.

The shares of P.T. International Nickel Indonesia, now 78 per cent held by Inco, would be traded on the Jakarta Stock Exchange. At least half the shares will be sold to Indonesians and the balance to international investors.

In the first nine months of 1989, P.T. International Nickel's operating earnings were US$207m, up from US$132m a year earlier. The company's capacity is being expanded to 105m lbs of nickel yearly from 80m lbs by the year-end.

● Lac Minerals, the Canadian mining group, reported 1989 fourth-quarter earnings down 75 per cent to US$1.5m or 1 cent a share, from $6.1m or 7 cents a year earlier, despite a 49 per cent increase in revenues to $67.5m. Net profit from operations was $3.5m, up 21 per cent.

The big drop surprised the market. Analysts attributed it to a sharp drop in investment income and lower than expected gold production by Bond International Gold, the Australian company of which Lac owns 65 per cent.

Earnings for the year were $30.5m or 31 cents a share.

INTERNATIONAL COMPANIES AND FINANCE

P&O joins Chelsfield in hostile offer for Laing

By Nikki Tait in London

PENINSULAR and Oriental Steam Navigation, the large shipping and property group, is joining forces with Chelsfield, a privately-owned property company controlled by Mr Elliott Bernerd, to make a hostile £441m ($745m) cash offer for Laing Properties.

The 650p-a-share offer was unveiled at lunchtime yesterday, after weeks of speculation that Chelsfield's steady stake-building in Laing over the past 18 months was finally leading to a bid. The private group confirmed 10 days ago that it was in talks which might result in an offer being made.

Laing quickly rejected the bid, saying that it "significantly undervalues Laing Properties assets and longer-term potential." The best interests of all shareholders, it added, would be served by the group remaining independent.

Speculation that Chelsfield, whose parent company is based in Panama, was poised to launch a bid had been rife in the stock market for some weeks. Shares in the target company had jumped from 400p in mid-January to 564p ahead of yesterday's news, and the Stock Exchange is understood to have launched an inquiry into recent dealings.

On yesterday's news, the Laing price gained a further 89p to 653p.

P&O's chairman, Sir Jeffrey Sterling, said that Mr Bernerd, a former chairman of Morgan Grenfell Laurie, the surveying and estate agency arm of the merchant bank, broached the idea of a joint venture bid shortly before Christmas. Chelsfield had built up a stake of just under 15 per cent in Laing but, suggested Sir Jeffrey, was "not necessarily large enough to take this further." Chelsfield's net assets at end-July were £84.4m.

After investigating Laing's portfolio, P&O – which tends to avoid hostile offers – decided to go ahead last month. No attempt was made to strike an agreed deal, although Mr Bernerd did have some initial contact with Laing when his stake-building began.

The bid is being made through Pall Mall Properties, part of the P&O property division. This has conditionally agreed to acquire the existing Chelsfield stake in Laing – at a currently undisclosed price – and will become jointly owned by the two bidding parties.

Pall Mall's equity base will be around £150m, with the balance of the acquisition funding coming from medium-term bank facilities.

KOP up modestly to FM844m

By Enrique Tessieri in Helsinki

KANSALLIS-OSAKE-PANKKI (KOP), one of Finland's two leading banks, lifted group profits before provisions and taxes for last year by 4.3 per cent from FM809.5m ($204.4m) in 1988 to FM844.5m in 1989.

The rise was weaker than expected, and less than in the previous two years. Dr Jaakko Lassila, chairman and chief executive, said the bank's operating environment was unfavourable due to developments in the domestic economy.

Operating profit rose modestly, by 5.3 per cent from FM1.41bn in 1988 to FM1.48bn. Credit losses increased by 36.6 per cent to FM408.3m.

Group earnings per share fell from FM4.58 to FM2.75, reflecting two share issues last year. Total consolidated assets increased by 4.1 per cent and reached FM150.46bn at the end of last year.

Mr Matti Korhonen, a KOP director, blamed the group's performance on high Helsinki interbank offered rates (Helibor) at the end of last year, which had in turn lowered volume and share prices at the Helsinki Stock Exchange.

Consolidated return on equity fell from 8.3 per cent to 7 per cent. This drop was attributed to the share issues, the narrowing of the interest margin and substantial increases in credit write-offs.

COMPANY NEWS IN BRIEF

Daimler-Benz, the diversified West German conglomerate, has broken off talks with a consortium of several West German engineering companies about the sale of its navy and missile technology lines, AP-DJ reports.

Daimler said its Deutsche Aerospace aircraft and defence subsidiary had ended negotiations with Systemtechnik Nord, a group of companies which is led by steel and machinery company Fried. Krupp.

■ Bertelsmann, the West German publishing group, expects group net income in the year ending June 30 to climb at least 25 per cent to significantly more than DM500m ($297m), AP-DJ reports.

The company had net profit of DM402m in fiscal 1989.

Group operating profit this year is likely to rise to more than DM1bn from DM911m a year earlier, while sales should edge up only about 4 per cent to DM13bn from DM12.5bn.

■ Banco Hispano-Americano, Spanish bank, reported 1989 group pre-tax profit of Pta60.81bn ($558m), up 18.2 per cent on Pta51.46bn in 1988.

The result was in line with recent results from rival banks, writes Our Financial Staff.

Assets rose to Pta3,572.45bn from Pta3,150.79bn in 1988.

The bank has declared a 1989 dividend of Pta200 per share, up from Pta170 a year earlier.

■ Pirelli Tyre Holding, the Netherlands-based concern which groups the Pirelli tyre interests, lifted sales last year by 13 per cent to Fl 6.7bn ($3.53bn), or by 6 per cent on a comparable basis. Net attributable profit is expected to be about Fl 205m, against Fl 191m.

Oerlikon profits show unexpected resilience

By John Wicks in Zurich

OERLIKON-BUHRLE Holding, the Zurich-based industrial and services group, booked a rise in consolidated turnover of about 12 per cent from SFr4.2bn ($2.8bn) to SFr4.7bn last year.

Group profits "will not decline to the extent expected some months ago," it said.

Last October Mr Michael Funk, chief executive, had put 1989 losses at "between SFr50m and SFr100m." The group had already shown losses of SFr115.2m in 1987 and SFr35.5m in 1988.

About a quarter of last year's sales growth was caused by exchange-rate factors.

At the same time, "exceptionally large deliveries" in December led to an increase of more than 15 per cent in the military-products sector. However, business in the sector continued to run at a loss.

The rise in turnover for military products did not generate any marked improvement in final results, due partly to adverse currency effects and partly to the fact that "certain transactions had to be carried out in the face of inadequate profit margins."

All non-military divisions produced a profit in 1989. In terms of sales, the Balzers and welding divisions showed turnover growth of 10 to 12 per cent, the Bally Shoes operation an increase of nearly 10 per cent and the real-estate, Limmat insurance and hotels divisions "very large sales growth in some sectors."

Elsewhere, the textiles division maintained its 1988 turnover, while sales of the machinery and aircraft divisions were slightly down, due in the former case to a number of divestments.

Last autumn it was announced that the military products sector was to be reorganised and industrial operations were to be expanded. This led to "exceptional expenses and value adjustments," no details of which are yet available.

Capital expenditure within the group stayed steady at about SFr350m last year, while the workforce declined by 613 to 27,150.

Volvo broadens bid for Pharmacia

By Robert Taylor in Stockholm

VOLVO, the Swedish motor group, and Procordia, the state controlled company, are to include US citizens who hold shares or convertible debentures in Pharmacia in their SKr15.3bn ($2.49bn) bid for the pharmaceuticals and food products company.

The takeover is part of the biggest business transaction in Swedish history. Originally the two companies had said that due to "legal and practical difficulties" it had been decided not to extend their offers to US citizens.

But the US Securities & Exchange Commission has now issued an order which relieves Volvo and Procordia from some of its rules on tender and exchange offers.

Volvo and Procordia had faced a barrage of criticism from US shareholders in Pharmacia since early December when they announced that they would be excluded from the offer. About 4.3m out of the 38m Pharmacia B shares not owned by Volvo are in US hands.

Yesterday's development may help to quicken the pace of the Pharmacia deal. It is more than seven weeks since the bid was first made and Volvo and Procordia are known to be having some difficulty in reconciling the senior management of Pharmacia to their plans for the proposed giant pharmaceuticals-food conglomerate, the structure of which has not yet been finalised.

The two Swedish companies will offer holders of Pharmacia shares and convertible debentures in the US and holders of American depository shares "the same price, terms and conditions applicable" to other holders. But "for practical reasons" it is still not possible to make the offers available to Pharmacia's shareholders in Japan.

Volvo is offering SKr235 in cash for each A share in Pharmacia, SKr215 for each restricted B share and SKr225 for each unrestricted B share. The newly issued Procordia shares will carry rights to dividends from the 1990 fiscal year, while dividends for the last fiscal year on Pharmacia shares will be tendered in accordance with the offer.

Volvo and Procordia also announced yesterday the timetable for the offer to holders. The prospectus will be issued on March 30 with the first day of the application period being April 17.

The shareholders' meeting for Procordia is to be held on May 10, and June 12 has been pencilled in as settlement day.

Both companies said yesterday that the date for the issuing of the prospectus, as well as the first day of the application period, might occur later for the US, although May 15 would be the final day of application for everybody.

With the completion of the proposed merger the number of shares outstanding will be about 261m, of which 165m will be A voting shares and 96m B non-voting shares. Volvo is expected to own 40 per cent of Procordia's shares as a result of the deal and the Swedish Government 30 per cent, down from the current 78.1 per cent.

But Volvo and the Swedish Government have also agreed to an exchange of shares between the two parties so that each will hold 42 per cent of the voting rights in Procordia.

Rallye bids for Genty-Cathiard

By William Dawkins in Paris

A BATTLE for market share in France's regional supermarket industry yesterday saw a new skirmish when Rallye, the Brittany-based chain, launched a FFr1.66bn ($289.7m) bid for control of Genty-Cathiard, a medium sized stores group based near Grenoble.

The deal lifts the acquisitive Rallye, controlled by Mr Albert Cam, from eighth to fifth in the league table of French supermarket groups. It gives the combined group an estimated FFr30bn annual turnover, just behind the Auchan group, with estimated sales last year of FFr33bn.

This does not include the independent chains, co-operative organisations of individually owned stores, like Leclerc, with its annual sales of FFr67bn.

Rallye has already won control of 60 per cent of Genty-Cathiard, for which it has paid FFr1bn at FFr1,100 per share, and is offering the same price for the remaining shares, which are publicly quoted.

The takeover comes two months after Rallye paid an undisclosed sum for Disque Bleu, a FFr4.5bn annual sales chain present in northern and western France.

Rallye is planning to raise new cash by joining the Paris stock market either in June or September, said a spokeswoman.

This and other takeovers, like last November's FFr1.45bn merger of two other medium sized chains, reflect the pressure on profit margins being felt across a competitive but fragmented French supermarket industry, say analysts.

Danish utilities suspended

By Hilary Barnes in Copenhagen

A *SPECULATIVE* boom in shares in Copenhagen Telephone (KTAS) and Jutland Telephone (JT), two Danish telephone companies, has led to suspension of the shares, at the Government's request.

The Government is expected to publish a proposal for reorganising the telephone companies, of which there are five, within the next few weeks.

The companies are government controlled and operate under a government licence, but the Government holds only just over 50 per cent of the shares in the two companies.

The licence agreement contains a clause enabling the Government to redeem shares at a price of DKr125 ($19.17) per share (face value DKr100). But Mr Jan Froehlke, an investor, has brought a case against the Government in the commercial court, asking for the fixed redemption price to be declared void.

The share price in the companies shot up when Mr Froehlke filed his case, provoking the Government to ask for suspension of the shares. The net worth of the companies gives a theoretical price in the region of DKr4,000 per share.

● Two south Jutland regional banks, Sydbank and Sparekassen Soenderjylland, announced a merger yesterday. The new bank, which will retain the Sydbank name, will have a balance sheet total of about DKr35bn, making it Denmark's fifth largest bank.

Depositors were offered shares last summer at DKr385. The merger offer puts a price of DKr515 on the shares.

France to assist Thomson with HDTV project

By William Dawkins

THE FRENCH Government yesterday confirmed that it is to inject FFr2bn ($349m) of fresh capital into Thomson, the state-owned electronics group, to help its ambitious research programme in high-definition television (HDTV).

The cash earmarked for Thomson is the largest single part of a FFr4.7bn general package for state industry.

Mr Roger Fauroux, Industry Minister, had been calling for FFr40bn of new capital for state-owned companies over the next three years. But the Industry Ministry has been obliged to settle for far less this year.

The other main beneficiary of the package is Groupe Bull, the state-owned computer producer, due to receive FFr1bn.

Thomson is planning to spend FFr4bn on developing HDTV over the next four years and intends to market a preliminary version of HDTV by the end of this year.

The Government is supplying the cash by subscribing to to 571.5m new Thomson shares at 350 francs each. Their nominal value is FFr100, so that the new issue increases Thomson's nominal equity from FFr2.09bn to FFr2.66bn.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 5, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.5545	35.0706	40.3045
Albania	(Lek)	10.1565	5.9920	3.5888	4.1244
Algeria	(Dinar)	13.4154	7.9146	4.7404	5.4478
Andorra	(Fr Fr)	9.6200	5.6755	3.3992	3.9065
	(Sp Peseta)	183.10	108.0235	64.6996	74.3553
Angola	(Kwanza)	49.9495u	29.9180	17.6500	20.2840
Antigua	(E Carr $)	4.5662	2.6939	1.6134	1.8542
Argentina	(Austral)	3162.47	1865.7640	[illegible]	1284.2517
Aruba	(Florin)	3.027	1.7858	1.0696	[illegible]
Australia	(Aus $)	2.2146	1.3064	0.7825	0.8992
Austria	(Schilling)	19.925	11.7551	7.0406	8.0913
Azores	(Port Escudo)	249.80	147.3746	88.2685	101.4416
Bahamas	(Bahama $)	1.6950	1	0.5989	0.6883
Bahrain	(Dinar)	0.6373	0.3759	0.2251	0.2588
Balearic Is	(Sp Peseta)	183.10	108.0235	64.6996	74.3553
Bangladesh	(Taka)	53.20	31.3864	18.7985	21.6040
Barbados	(Barb $)	3.4015	2.0067	1.2019	1.3813
Belgium	(Belg Fr)	59.15c	34.8967	20.9010	24.0203
		59.40g	35.0442	20.9893	24.1218
Belize	(B $)	3.3824	1.9955	1.1951	1.3735
Benin	(CFA Fr)	481.00	283.7758	169.9646	195.3299
Bermuda	(Bermudian $)	1.6950	1	0.5989	0.6883
Bhutan	(Ngultrum)	28.50	16.8141	10.0706	11.5736
Bolivia	(Boliviano)	5.107	3.0129	1.8045	2.0739
Botswana	(Pula)	3.135	1.8495	1.1077	1.2730
Brazil	(Cruzado)	30.6137	[illegible]	10.8175	12.4319
British Virgin Is	(US $)	1.6950	1	0.5989	0.6883
Brunei	(Brunei $)	3.1545	1.8610	1.1146	1.2810
Bulgaria	(Lev)	1.3397	0.7903	0.4733	0.5440
Burkina Faso	(CFA Fr)	481.00	283.7758	169.9646	195.3299
Burma	(Kyat)	10.7780	6.3587	3.8084	4.3768
Burundi	(Burundi Fr)	290.8275	171.5796	102.7659	118.1025
[illegible]					

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gabon	(CFA Fr)	481.00	283.7758	[illegible]	[illegible]
Gambia	(Dalasi)	13.9543	8.2326	[illegible]	[illegible]
Germany East	(Ostmark)	2.8300	1.6696	[illegible]	[illegible]
Germany West	(DMark)	2.8300	1.6696	[illegible]	[illegible]
Ghana	(Cedi)	519.60	306.548	[illegible]	[illegible]
Gibraltar	(Gib £)	1.00	0.5899	[illegible]	[illegible]
Greece	(Drachma)	266.55	157.254	[illegible]	[illegible]
Greenland	(Danish Krone)	10.9275	6.4469	[illegible]	[illegible]
Grenada	(E Carr $)	4.5662	2.6939	[illegible]	[illegible]
Guadaloupe	(Local Fr)	9.6200	5.6755	[illegible]	[illegible]
Guam	(US $)	1.6950	1	[illegible]	[illegible]
Guatemala	(Quetzal)	4.8194	2.8433	[illegible]	[illegible]
Guinea	(Fr)	507.36	299.327	[illegible]	[illegible]
Guinea-Bissau	(Peso)	1099.28u	650	[illegible]	[illegible]
Guyana	(Guyanese $)	50.62u	33	[illegible]	[illegible]
Haiti	(Gourde)	8.456u	5	[illegible]	[illegible]
Honduras	(Lempira)	3.3820u	2	[illegible]	[illegible]
Hong Kong	(HK $)	13.2153	7.7966	[illegible]	[illegible]
Hungary	(Forint)	105.3344	62.1441	[illegible]	[illegible]
Iceland	(Icelandic Krona)	107.82	60.0648	[illegible]	[illegible]
India	(Indian Rupee)	28.50	16.8141	[illegible]	[illegible]
Indonesia	(Rupiah)	3062.525	1806.79	[illegible]	[illegible]
Iran	(Rial)	117.00	69.0265	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	0.5236	0.3089	[illegible]	[illegible]
Irish Rep	(Punt)	1.0680	0.6300	[illegible]	[illegible]
Israel	(Shekel)	3.275	1.9321	[illegible]	[illegible]
Italy	(Lira)	2101.75	1239.97	[illegible]	[illegible]
Jamaica	(Jamaican $)	11.5185	6.7955	[illegible]	[illegible]
Japan	(Yen)	246.25	145.280	[illegible]	[illegible]
Jordan	(Jordanian Dinar)	1.1312	0.6673	[illegible]	[illegible]
Kenya	(Kenya Shilling)	36.40	21.4749	[illegible]	[illegible]
[illegible]					

[illegible]

Monday, February 5, 1990.

TRADE INDEMNITY PLC 01-739 4311

MULTI-MARKET POLICY. Simplified credit protection against increasing risks in EEC and OECD countries.

This announcement appears as a matter of record only

THE ARES-SERONO GROUP

THE ARES-SERONO GROUP

$ 125,000,000

Senior Notes Due September 30, 2001

Investors & Note Purchasers:

THE TRAVELERS INSURANCE COMPANY

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA (LEAD INVESTOR)

PHOENIX MUTUAL LIFE INSURANCE COMPANY

Placement Agent

ROTAN MOSLE INC.
A SUBSIDIARY OF PAINE WEBBER

January 1990

Serono

PAREUROPE GROWTH SICAV

Société d'Investissement à Capital Variable
R.C. Luxembourg B 25755

AVIS AUX ACTIONNAIRES
Convocation à l'Assemblée Générale Extraordinaire

Nous vous prions de bien vouloir assister à l'Assemblée Générale Extraordinaire de PAREUROPE GROWTH SICAV qui sera tenue au siège social, 10A, Boulevard Royal, Luxembourg,

le Vendredi 16 février 1990 à 11 heures

et qui aura l'ordre du jour suivant:

ORDRE DU JOUR

- Recevoir et approuver les comptes de la Société au 31/12/89.
- Acceptation de la démission des administrateurs en fonction.
- Donner quitus aux administrateurs pour l'accomplissement de leur mandat.
- Remplacer la devise de référence de la Société qui est actuellement le DOLLAR US par l'ECU.
- [illegible]
- Examiner le rapport d'audit préparé par Coopers & Lybrand S.C., Luxembourg, [illegible]
  1) [illegible]
  2) [illegible] "PARVEST EUROPE" [illegible] "PARVEST" [illegible] "PARVEST EUROPE" contre UNE action de la Société "PAREUROPE GROWTH SICAV".
- Nomination des nouveaux administrateurs.

[illegible]

Les propriétaires d'actions au porteur [illegible] au siège social de la Société, 10A, boulevard Royal, pour au plus tard le 9 février 1990.

[illegible]

La présente convocation et une formule de procuration ont été envoyées à tous les actionnaires nominatifs inscrits au 29 janvier 1990.

Pour le Conseil d'Administration
J.PIERSON
Secrétaire Général

IRELAND
US$100,000,000
Private Placement Issue
Floating Rate Notes 1997/2000

(Coupon No. 10)

Pursuant to Note conditions, notice is hereby given that for the interest period 6th February 1990 to 6th August 1990 (181 days), an interest rate of 8%16 per cent, per annum, will apply.

Amount per coupon (No. 10) = US$43,050.35
Payable on the 6th August 1990

Reference/Agent Bank

LTCB

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
London Branch

SCOTTISH FINANCIAL AND PROFESSIONAL SERVICES

The Financial Times proposes to publish this survey on:

Friday, March 23rd, 1990

For a full editorial synopsis and advertisement details, please contact:

Kenneth Swan
Tel: 031 - 220 - 1199
Fax: 031 - 220 - 1578

or write to him at:

Financial Times
37, George Street
Edinburgh
EH2 2HN

Grindlays Eurofinance B.V.
U.S.$100,000,000

Guaranteed Floating Rate Notes 1994

Guaranteed on a subordinated basis by

ANZ Grindlays Bank plc

In accordance with the provisions of the Notes, notice is hereby given that for the interest period 6 FEBRUARY 1990 to 6 AUGUST 1990 the Notes will bear an interest rate of 8.8625% per annum.

The interest payable on the relevant Interest Payment Date 6 AUGUST 1990 against Coupon No. 13 will be U.S.$432.88.

Agent Bank

ANZ McCaughan

BfG:

Bank für Gemeinwirtschaft Aktiengesellschaft.
London Branch
U.S. $100,000,000
FLOATING RATE DEPOSIT NOTES 1992

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 7th February, 1990 to 7th August, 1990 the Notes will bear interest at the rate of 8 11/16% per annum. The Coupon amount per U.S. $10,000 Note will be U.S. $436.79. The Interest Payment Date will be 7th August, 1990.

Samuel Montagu & Co. Limited
Agent Bank

INTERNATIONAL CAPITAL MARKETS

Hong Kong plans futures contract linked to Hibor

By John Elliott in Hong Kong

HONG KONG'S futures exchange tomorrow launches a new product – an interbank offered rate contract – which it hopes will open up a period of rapid expansion for the exchange following more than two years of flat trading in the wake of the 1987 stock market crash.

The Hong Kong interbank offered rate (Hibor) contract will be the first new instrument launched for nearly three years and will involve three-month HK$1m contracts. It has been primarily designed to provide banking and other institutional participants in the local interbank market with a means of offsetting some of their interest rate risk in transactions on the Hong Kong dollar, which is pegged to the US dollar.

"Hibor will get institutional support from both borrowers and lenders and it will be good for the Hong Kong dollar market overall," Mr Paul Selway-Swift, chairman of the Hong Kong Association of Banks and a Hongkong Bank general manager, said yesterday.

The futures exchange collapsed with the market crash in 1987 when it was closed for four days and subsequently bailed out by a government rescue.

Since then the exchange has been extensively restructured but has failed to regain its old momentum.

Last year there was an average of only 2,500 contracts a day compared with 20,000 to 30,000 before the crash. The most active are futures on the local Hang Seng index and there are also contracts in soya beans, sugar and gold.

Part of the problem has been a low level of activity on the local stock exchange, coupled with a general lack of confidence in the colony following last June's crisis in China. This has dampened interest in the Hang Seng.

Mr Douglas Ford, chief executive of the exchange, said trading in the Hang Seng index future had also been hit by the levy of HK$60 (US$7.7) per transaction introduced to repay a HK$1.8bn lifeboat facility following the 1987 crash. The exchange is urging the Hong Kong Securities and Futures Commission to reduce the levy to HK$5 from HK$10.

But the main hope for a resurgence of activity rests on the Hibor contract. Mr Ford said he hoped for 1,000 contracts a day within the coming month, building up to 2,000 to 5,000 later this year.

The exchange's existing membership includes about 20 significant institutional operators, such as Citicorp, Hongkong Bank's Wardley Thomson and James Capel. The introduction of the Hibor contract had brought in 10 new members including Standard Chartered, Bankers Trust and the local Bank of East Asia.

The Government is expected to introduce exchange fund bills, similar to UK short-term Treasury bills, later this year. Bankers believe this will increase demand for Hibor contracts, even though the bills will have their own interest rates.

Trading starts tomorrow for one hour only between 2.30pm and 3.30pm after a formal opening. Normal trading will be between 9am and 3.30pm from Monday to Friday.

Belgian bank buys into broker

GENERALE BANK, Belgian's biggest commercial bank, is to buy a 25 per cent stake in a new bourse brokerage company and plans to take full control in the longer term, Reuter reports.

The bank will acquire the stake in the Belgian broking house "G" de Moffarts-Rolin Jacquemyns Securities as soon as new legislation allowing banks to become shareholders in bourse brokers becomes law later this year.

Generale Bank said that from the beginning of 1991, or the earliest date laid down by the new law, it would increase the stake to more than 75 per cent. The bank claims to be the biggest single channel of bourse orders for shares and bonds.

Bourse credits to be introduced in Turkey

Pamukbank, the private Turkish bank, is to offer bourse credits to stock market investors, Reuter reports.

These will be the first credits of their kind in Turkey. Shares purchased with the credits will be kept within the bank which will also offer preferential rights credits for investors unable to exercise their preferential rights in shares.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8½ 96	750	97⅞	97⅞	-0⅛	-0¼	9.17
Alberta 9½ 95	600	100¾	101⅛	-0⅛	-0¼	9.15
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99¾	99⅞	0	-0¼	6.75
Canada 5½ 93	80	96⅛	96⅜	-0⅛	-0¼	6.73
[illegible]						

[illegible]

[illegible]

INTERNATIONAL CAPITAL MARKETS

Treasuries on defensive as auctions loom

By Janet Bush in New York and Martin Dickson in London

US TREASURY bonds started the week of the quarterly refunding on a defensive note amid concern about the level of demand at these auctions and against a background of last Friday's employment statistics which were a little too healthy for comfort.

At midsession, the short end of the market was down around 1/8 point while the benchmark long bond was quoted ¼ point lower for a yield of 8.53 per cent.

GOVERNMENT BONDS

The refunding starts today with the sale of $10bn in three-year bonds followed by the auction of $10bn in 10-year bonds tomorrow and $10bn of 30-year bonds on Thursday. There is concern that demand for the 30-year issue may not emerge unless yields reach around 8.625 per cent. Coinciding with the refunding auction today and tomorrow is the regular meeting of the Federal Open Market Committee of the US Federal Reserve which sets the target for the Fed funds rate.

■ UK GOVERNMENT bond prices fell sharply from the opening yesterday as the market reacted to weekend press reports speculating that the budget surplus might be much lower than expected and that the Government might resume selling gilts in the coming financial year.

The market was also infected by the general pessimism and sliding prices in global bond markets and concern over the level of Japanese interest in this week's US Treasury auction.

Prices were marked ½ point lower at the long end at the opening and continued to slide, although reasonable consumer credit figures slightly ameliorated the trend.

Volume was light in the cash market, but more substantial in futures, where the March long bond closed at 86.27 – just above the new low reached yesterday afternoon of 86.23. The day's high was 87.09 and the previous close 87.23.

The benchmark 11¾ Treasury stock due 2003/07 was quoted near the close at 105⅛, down 25/32, to yield 10.99 per cent – back close to the 11 per cent barrier at which it found support in last month's steep fall.

■ THE WEST German market fell sharply yesterday. The turmoil in the Soviet Union, the possibility of much speedier reunification talks with East Germany, fears of inflation and the bearish tone of the US market were all causes for concern.

The benchmark federal 7¼ per cent January 2000 bond was fixed at 96.47, after 96.93 on Friday, to yield 7.77 per cent, and fell further in the afternoon to close around 96.20. Trade in the cash market was light, but the March Bund future saw more than 53,000 contracts struck and closed at 87.44 – the low of the day – compared to 88.20 overnight and a high of 88.13.

■ FRENCH BOND prices slipped amid the general international gloom with the Matif March futures contract closing 26 basis points down at 101.40, while in the cash market the OAT 8⅛ of 1999 closed at 90.47, down 0.34, to yield 9.71. The French market was less affected than Germany by East European developments, and the yield differential narrowed from 195 basis points to 187.

■ SOUTH AFRICAN bond prices, which soared last Friday following the Government's sweeping political changes, were again buoyant yesterday as investors anticipated a further rise in the Financial Rand – the special investment unit for foreigners.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-00	-12/32	12.31	12.19	11.42
		10.500	5/99	95-04	-23/32	11.36	11.14	10.61
		9.000	10/08	88-17	-25/32	10.40	10.21	9.78
US TREASURY *		7.875	11/99	95-22	-6/32	8.53	8.49	7.96
		8.125	8/19	95-18	-10/32	8.54	8.52	8.05
JAPAN	No 119	4.800	6/99	89.1363	[illegible]	6.68	6.49	5.88
	No 2	5.700	3/07	94.8230	-0.548	6.33	6.33	5.79
GERMANY		7.125	12/99	95.6300	-0.420	7.77	7.64	7.50
FRANCE	BTAN	8.000	10/94	91.5761	+0.003	10.33	10.35	10.22
	OAT	8.125	5/99	90.4700	-0.340	9.71	9.61	9.58
CANADA *		9.250	12/99	95.1500	-0.900	10.03	10.02	9.71
NETHERLANDS		7.500	11/99	94.0800	-0.640	8.41	8.28	8.09
AUSTRALIA		12.000	7/99	96.2149	+0.368	12.69	12.71	12.98

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Abbey National launches £100m fixed-rate issue

By Stephen Fidler and Deborah Hargreaves

ABBEY NATIONAL, the former UK building society which gave up its mutual status last summer, brought a £100m fixed-rate issue to a weak sterling Eurobond market yesterday.

The issue, reoffered by JP Morgan on a fixed-price basis, was not swapped, suggesting the borrower was taking a view that sterling interest rates are set to rise further.

INTERNATIONAL BONDS

The reoffer price of the issue was set at 100.05 to yield 103 basis points over the 12 per cent gilt of 1995. JP Morgan "bought" the issue from the borrower at a price of 99.90, the equivalent of 107 basis points over the 1995 gilt.

In spite of the morning weakness of the gilt market, the issue was launched in the early afternoon and the discipline of the five-strong syndicate of selling banks held fairly well. There were no reports that the issue had been offered into the market at below the reoffer price. Morgan itself took three-quarters of the issue, and said last night it had placed 70 per cent, with good demand from continental Europe.

Exchange offers of some sterling bonds in recent weeks, managed by Morgan, have apparently helped the bank locate sterling investors, and also depleted supply generally in the corporate bond market, bringing in spreads over gilts somewhat.

Also in sterling, Premier Consolidated Oilfields brought a £25m convertible issue through Kleinwort Benson, which was expanded quickly to £28m, the maximum allowable (without reference to shareholders). The coupon was fixed at 8 per cent and the conversion premium at about 14.3 per cent, both indicating strong support for the issue. Since Premier's shares pay no divided, the convertible carried a lower yield than on some recent issues. It carries no put option nor any option to give investors cash in lieu of shares. The issue is through a Jersey subsidiary, providing tax efficiency for the borrower, amid a general view that given stock market caution more investors and issuers may find convertibles attractive vehicles in coming weeks.

In US dollars, Long Term Credit Bank of Japan brought a $125m 10-year issue for its parent. That was based, traders said, on a callable swap provided by Goldman Sachs and most of the issue would find its way to Japan.

Amid general weakness in international bond markets, the Swiss franc sector was relatively strong.

The World Bank brought an eight-year issue in the private placement market. Demand appears to be holding up in longer-maturity paper, and the Bank decided a private placement met its needs better than the 10-year public deal that it was reportedly offered. Led by JP Morgan and Bank Leu, the deal was considered tight but met fairly strong demand.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Abbey National Treasury♦	100	13⅛	100.05	1995	1⅞/1¼	J.P. Morgan Secs.
PCO Finance Ltd.(a)§♦	28	8	100	2005	2½/1½	Kleinwort Benson
US DOLLARS						
LTCB(b)♦	125	9⅝	101.95	2000	2/1¼	LTCB Int.
Sanwa Shutter(d)‡♦	400	2⅛	100	1994	2¼/1½	Daiwa Europe
Godo Steel(d)‡♦	150	2¼	100	1994	2¼/1½	Yamaichi Int. (Europe)
AUSTRALIAN DOLLARS						
Soc.Generale Australia(c)♦	60	15	101.80	1992	1¼/⅞	Hambros Bank
SWISS FRANCS						
World Bank(c)★★♦	100	7⅛	100⅝	1998	1⅝	J.P. Morgan Secs.
Rhone-Poulenc Comm.(c)★★♦	100	7⅝	101¼	1995	1⅝	UBS
Union Bank of Finland(c)★★♦	60	7½	100⅞	1995	1⅝	Deutsche Bank (Suisse)
YEN						
C.Nat.de Credit Agricole(c)♦	10bn	7	101.825	1995	1⅞/1¼	Bank of Tokyo Cap.Mkts
FINNISH MARKKA						
Skop Finance(c)♦	100	13.2	99½	1993	n/a	Skopbank

★★Private placement. ‡With equity warrants. §Convertible. ♦Final terms. a) Conversion price 132p. No put or call option. b) One call only March 1994 at 100. c) Non-callable. d) Coupon cut by ½% from indication.

Brittan pledges flexibility in EC financial services rules

By Lucy Kellaway in Brussels and Richard Waters in London

SIR Leon Brittan, European commissioner responsible for the financial sector, yesterday told the Overseas Bankers Club in London that European Community plans for a single market in financial services would be designed to maintain the competitiveness of Europe.

He sought to reassure London securities firms, which fear that the new rules will be inflexible, will increase their costs to the point where business is diverted elsewhere and will give unfair advantages to securities departments of large banks.

"A more detailed treatment of securities positions than has so far been agreed is desirable to reflect the risks in such positions, and also to produce a similar level of requirements for banks and investment firms," he said. The final draft of the proposals would be prepared by spring so that the directive could come into force at the same time as the second banking directive at the end of 1992.

Officials in Brussels yesterday hinted that the Commission's proposals would be made more flexible in the light of British objections so as to differentiate between different types of risk, and to allow securities firms to calculate capital requirements on the basis of net rather than gross positions. However, they said that no final decision had yet been taken.

British opposition to the capital-adequacy rules in their current form was expressed yesterday by Mr Penn Kent, executive director of the Bank of England, at a seminar in London organised by the Centre for Economic Policy and Research. "In view of the internationally-mobile character of [the securities] business, it is vital that the capital-adequacy regime established in the Community is not such as to drive business to some third country, such as the US, Japan or Switzerland," he said.

The community as a whole, rather than just the UK, was put at risk by the EC proposal, he added.

Part of the difficulty arises because there is no international forum for discussing supervisory arrangements for securities businesses, performing the role that the Bank for International Settlements plays in the supervision of banks, said Mr Kent. This leaves open "the risk that the Community might establish a regime which gave rise to problems of competitiveness and also put back the day when a fully-international agreement might be reached."

Mr Kent said there were four areas where changes were needed to the directive: the treatment of hedging and diversification in securities businesses, the minimum capital required of investment firms, the capital requirements for unsettled transactions, and the definition of capital for non-banks.

Even if the British securities lobby were successful in getting the draft proposal changed, it would require further work to push it past member states. Preparatory meetings between experts from member states early this year have revealed an unusually large disparity of views, with the UK at one extreme arguing for a more flexible system and Germany wanting regulations little different from those covering its well-capitalised banks.

Some officials are concerned that the present excitement about capital-adequacy rules is detracting attention from other parts of the investment services directive. They note that the appropriate nature of the solvency requirements should depend on the overall scope of the directive, and the type of business that it will cover.

Value of Cedel deposits surges

By Deborah Hargreaves

CEDEL, one of the two international securities clearing houses which dominate the Euromarkets, saw a 23 per cent increase in the value of its deposits last year. They rose to $344.6bn last year from $278.9bn in 1988.

Cedel, which clears Eurobonds, fixed-income securities and an increasing slice of equity and equity-related products, said its bond-lending activities – whereby players in the Eurobond market borrow bonds from the clearing houses – rose by more than 3 per cent last year.

This contrasted with a slight contraction in bond-lending activities at Euro-clear, Cedel's arch rival, which Euro-clear put down to increased efficiency in the market. It could, however, reflect the higher rates charged at Euro-clear as the market remains intensely competitive.

The number of transactions settled in Cedel's system last year rose by 18 per cent to 5.9m and the number of its clients increased by 7.5 per cent to 2,419.

Cedel remains the smaller of the two clearing houses by most standards, but last year it grew at a faster rate than its rival.

Cedel said it established new links with domestic markets last year as its business continued to become more global. The clearing house has links with 16 countries and plans to expand its network to build a comprehensive global clearing and custody service.

● The market practices committee of the Association of International Bond Dealers proposed on Friday an interim solution to the problem of bringing same-day settlement to the Eurobond grey market, where bonds are traded prior to their payment date.

The meeting, attended by representatives of the two main Eurobond clearing houses and reported to be stormy, was called to discuss the AIBD's proposed rule 221 on same-day settlement in the grey market.

Previous proposals from the AIBD have been opposed by Euro-clear. The committee, trying to reach a solution before the AIBD's annual meeting in Amsterdam in May, will meet next in late April. Details of the AIBD proposal were unavailable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 5 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Feb 2 Index No.	Thu Feb 1 Index No.	Wed Jan 31 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (202)	895.87	+0.2	12.69	4.76	9.60	1.34	894.38	893.97	892.64	903.55
2	Building Materials (27)	1101.79	+0.2	14.29	5.13	8.72	0.36	1099.93	1100.94	1095.13	1126.00
3	Contracting, Construction (36)	1522.89	+0.3	16.29	5.18	8.04	0.14	1518.16	1514.88	1511.00	1677.48
4	Electricals (10)	2593.65	-0.2	10.38	4.80	12.11	0.00	2599.31	2591.85	2586.74	2628.61
5	Electronics (30)	1932.40	+0.1	9.27	3.73	13.95	9.76	1929.66	1929.35	1935.00	2028.43
6	Engineering-Aerospace (8)	452.96	+0.3	13.35	4.87	9.20	0.04	451.50	456.44	454.39	0.00
7	Engineering-General (44)	476.49	—	11.78	4.95	10.23	0.34	476.65	476.57	476.49	0.00
8	Metals and Metal Forming (6)	472.46	+0.6	24.96	6.36	4.52	0.00	469.43	466.71	466.85	514.29
9	Motors (16)	375.29	-0.8	14.13	5.62	8.30	0.00	378.31	381.64	381.83	385.92
10	Other Industrial Materials (25)	1622.69	+0.4	10.39	4.45	11.37	3.00	1616.49	1608.70	1606.46	1521.18
21	CONSUMER GROUP (177)	1278.87	-0.3	8.84	3.72	14.12	2.10	1282.84	1280.86	1280.96	1172.38
22	Brewers and Distillers (22)	1497.67	-0.6	9.36	3.51	13.19	6.54	1506.23	1509.76	1509.91	1278.92
25	Food Manufacturing (19)	1130.01	-0.4	9.48	3.91	13.12	1.70	1134.69	1133.46	1125.91	1050.70
26	Food Retailing (16)	2311.93	-0.4	8.78	3.28	14.78	3.63	2320.69	2324.32	2314.04	2073.60
27	Health and Household (13)	2482.27	-0.3	6.38	2.63	18.89	0.20	2489.53	2483.36	2503.38	2186.84
29	Leisure (33)	1625.36	-0.1	8.29	3.64	14.86	0.54	1627.61	1626.83	1626.48	1537.45
31	Packaging & Paper (13)	582.27	+0.2	12.07	5.32	10.46	0.98	581.36	581.06	578.77	594.47
32	Publishing & Printing (17)	3576.15	-0.7	9.04	4.94	14.14	20.50	3602.40	3600.31	3589.18	3784.85
34	Stores (31)	789.83	+0.1	11.04	4.76	11.79	0.25	788.97	781.47	781.15	780.92
35	Textiles (13)	514.45	—	11.24	5.83	10.79	0.00	514.55	513.76	516.29	535.07
40	OTHER GROUPS (104)	1187.56	—	10.76	4.69	11.14	0.30	1188.06	1177.95	1173.69	1037.64
41	Agencies (17)	1547.97	+0.1	6.77	2.16	18.17	0.05	1545.81	1531.28	1526.90	1209.48
42	Chemicals (22)	1205.74	+0.4	12.57	5.34	9.37	0.27	1201.13	1197.99	1200.44	1194.92
43	Conglomerates (13)	1637.74	+0.8	20.97	5.99	10.71	0.00	1624.81	1614.70	1612.20	1436.29
44	Transport (13)	2301.80	-0.7	10.51	4.18	12.12	2.88	2317.02	2299.20	2297.43	2258.28
46	Telephone Networks(2)	1255.53	-0.2	10.11	4.06	12.86	0.00	1258.64	1243.54	1233.99	1109.81
47	Water(10)	2025.30	—	17.21	6.69	6.44	0.00	2025.02	2026.86	2021.59	0.00
48	Miscellaneous (27)	1896.64	-0.6	9.36	4.33	12.05	0.91	1908.08	1883.92	1869.11	1428.43
49	INDUSTRIAL GROUP (483)	1169.12	-0.1	10.39	4.28	11.77	1.37	1170.39	1166.36	1164.67	1083.31
51	Oil & Gas (17)	2444.35	-0.5	8.81	4.66	14.99	6.21	2457.33	2445.17	2423.95	1926.18
59	500 SHARE INDEX (500)	1274.99	-0.2	10.16	4.34	12.15	1.75	1277.16	1272.49	1269.30	1155.17
61	FINANCIAL GROUP (114)	852.65	-0.5	–	4.99	–	0.35	856.71	854.23	849.83	754.72
62	Banks (9)	909.49	-1.0	18.84	5.52	6.98	0.00	918.30	918.02	899.70	751.60
65	Insurance (Life) (7)	1429.37	-0.4	–	4.65	–	0.00	1434.85	1443.49	1438.74	1064.64
66	Insurance (Composite) (7)	714.95	-0.4	–	5.29	–	0.00	717.89	722.87	718.43	608.46
67	Insurance (Brokers) (6)	1130.73	-0.5	6.53	5.58	20.37	0.00	1136.53	1139.86	1152.42	1040.12
68	Merchant Banks (8)	493.25	+1.8	–	3.61	–	0.00	484.70	481.53	481.83	349.51
69	Property (49)	1189.61	-0.2	7.71	3.62	16.41	0.94	1191.49	1188.70	1183.23	1314.33
70	Other Financial (28)	334.12	-0.2	12.61	6.31	10.40	1.44	334.70	331.13	332.65	383.92
71	Investment Trusts (68)	1237.19	—	–	2.96	–	0.45	1237.46	1235.63	1229.40	1063.31
81	Overseas Traders (5)	1453.42	+1.1	10.47	6.29	11.23	30.79	1437.99	1406.35	1414.49	1358.36
99	ALL-SHARE INDEX (687)	1172.59	-0.2	–	4.40	–	1.55	1174.99	1170.77	1167.15	1056.93
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Year ago
–	FT-SE 100 SHARE INDEX♦	2348.4	-6.7	2353.7	2344.8	2355.1	2345.8	2337.3	2322.0	2328.8	2044.3

FIXED INTEREST

	PRICE INDICES	Mon Feb 5	Day's change %	Fri Feb 2	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.17	-0.25	115.45	–	1.33
2	5-15 years	124.33	-0.67	125.16	–	1.31
3	Over 15 years	132.75	-1.03	134.13	–	0.33
4	Irredeemables	150.45	-0.80	151.67	–	0.09
5	All stocks	123.80	-0.56	124.50	–	1.22
	Index-Linked					
6	Up to 5 years	140.89	-0.60	141.74	–	0.00
7	Over 5 years	136.90	-0.66	137.81	–	0.47
8	All stocks	137.09	-0.65	137.99	–	0.44
9	Debentures & Loans	102.37	-0.34	102.73	–	0.35
10	Preference	82.21	+0.14	82.09	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 5	Fri Feb 2	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.75	10.66	8.99
2		15 years	10.38	10.26	8.82
3		25 years	10.26	10.14	8.77
4	Medium Coupons	5 years	11.86	11.71	10.05
5		15 years	10.77	10.64	9.28
6		25 years	10.38	10.26	8.94
7	High Coupons	5 years	11.98	11.84	10.22
8		15 years	10.97	10.85	9.47
9		25 years	10.52	10.41	9.08
10	Irredeemables	†	10.27	10.18	8.77
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.24	4.01	3.51
12	Inflation rate 5%	Over 5 yrs.	3.83	3.78	3.57
13	Inflation rate 10%	Up to 5 yrs.	3.34	3.11	2.68
14	Inflation rate 10%	Over 5 yrs.	3.46	3.41	3.41
15	Debs & Loans	5 years	13.35	13.30	11.65
16		15 years	12.72	12.68	11.22
17		25 years	12.72	12.67	10.81
18	Preference	†	11.29	11.30	10.09

♦Opening index 2350.0; 10 am 2347.7; 11 am 2353.0; Noon 2350.1; 1 pm 2347.6; 2 pm 2347.9; 3 pm 2345.6; 3.30 pm 2349.6; 4 pm 2349.2 (a) 11.22am (b) 2.40pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Myson Group (7) has been deleted and replaced by Acsis Group (41).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	91	9
Corporations, Dominion and Foreign Bonds	1	9	27
Industrials	333	335	942
Financial and Properties	115	153	428
Oils	29	28	37
Plantations	3	0	7
Mines	60	35	66
Others	75	73	105
Totals	616	724	1,621

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
280	Nil	5/3	27pm	12pm	Cook (Wm.) 20p	14pm	+2
110	Nil	5/3	14pm	8pm	Fisher (A.) 5p	12½pm	-1½
90	Nil	–	3pm	½pm	Pancon Mining 20p	½pm	-½
670	Nil	–	114pm	91pm	Rank Organisation	99pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ♣ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‡‡ Reintroduction. ¢ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Feb 5
● Last Dealings Feb 16
● Last Declarations May 10
● For settlement May 21

For rate indications see end of London Share Service

Calls in Babcock Intl., Norex, Racal Telecom, British Telecom, Royal Bank Scotland, London Securities, Hughes Food, Coloroll and Aviva Pet.

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Provisions for investments put UTC in the red

By Clay Harris

THE FORMER joint managing directors of UTC Group, who left the financial and property services company after a policy disagreement, have shared nearly £1m in compensation.

The payments to Mr Geoffrey Simmonds and Mr Richard Owen were announced yesterday as UTC reported a pre-tax loss of £396,501 for 1989, against profits of £5.79m. It was pulled into the red by provisions made on equity investments made under the direction of the two men, although approved by the full board.

In spite of the loss, UTC plans to pay an 0.5p final dividend; but that halves the total to 5p. Its shares fell 9p to 89p.

Mr Jonathan Harris, UTC's new chairman and chief executive, said the payments to Mr Simmonds and Mr Owen were to buy out their five-year contracts. Mr John Vincent, who retired as chairman at the end of 1989, received only a small part of a total of £1,032,500 paid to ex-directors. The compensation was taken as an extraordinary cost.

Mr Harris also said UTC would no longer "invest substantial sums into ventures or situations where there is no obvious synergy with the main core activities of the group."

In this context, he specifically ruled out "bought business" – the pursuit of corporate advisory fees in exchange for investing directly in the client company's shares.

Mr Simmonds and Mr Owen left UTC on November 14. Two months previously they had sold over half their shares in a £1.57m deal which coincided with UTC's announcement of strong interim results and a higher dividend.

They sold the shares to City & Westminster Group, a mini-conglomerate then headed by Mr Andrew Greystoke, at 225p per share, a premium to the prevailing market price. Mr Simmonds and Mr Owen informed Mr Vincent, then UTC chairman, of the imminent sale shortly before the market opened that day.

Mr Greystoke immediately proposed a merger of CWG and UTC. This idea came as a surprise to, and was opposed by, other directors of UTC. Merger talks were called off on October 15, and this was followed by Mr Owen's and Mr Simmonds' departure.

Mr Greystoke himself left CWG on November 30. On the next day, UTC announced it would have to make a £5.1m provision, largely because of the fall in value of its stake in Clogau Gold Mines (since renamed Ferromet Group). Clogau shares had been suspended when UTC's interims were announced; bad news later emerged about Clogau's Australian gold interests.

Mr Ivor Gershfield, successor to Mr Greystoke at CWG, is investigating the circumstances of the UTC share purchase. Mr Greystoke said yesterday: "None of us could have guessed that things would turn out this way. To this day, I'm convinced that a merger would have been in the interest of the two companies."

UTC Securities acted as financial adviser and stockbroker to Clogau, and Mr Owen and Mr Simmonds were – and remain – on the latter's board. UTC, the parent group, built up a total holding of 28m USM-traded Clogau/Ferromet shares at an average price of 12p, against yesterday's close of 5p.

Yesterday's results showed that UTC's property services division, comprising surveyors and valuers Pepper Angliss & Yarwood and Hirschfields, made pre-tax profits of £3m. This allowed the former to exceed its earn-out targets; the resulting share issue will give Mr Harris and his brother a quarter of UTC's equity.

Group turnover rose to £19.84m (£15.97m), and a loss per share of 3.32p compared with earnings of 23.3p. Trading profits of £1.6m were pulled into the red by a £2m exceptional provision on Ferromet. The remaining £3.1m provision, relating to holdings in Ferromet, JMD Group and Marylebone Estates company, was not taken through the profit and loss account.

Mr Harris wants UTC to be renamed Carlisle Group and move to a full listing.

Mixed reactions to the passing of the halcyon days

Paul Cheeseright assesses three varying developments in the property sector

GLOOM ON one hand, and the anticipation of excitement on the other.

These two strands of sentiment came into play yesterday as the property share market absorbed the news of what looked very much like a distress rights issue from Rosehaugh; noted the financial demise of unquoted JM Jones; and then felt more cheerful at the prospect of a decent bid battle – P&O and Chelsfield for Laing Properties.

There is a degree of consistency in this because the three disparate events spring from the same background.

Since 1986 there has, after all, been a surge in property values as companies chased space, first in London and the south-east of England, then throughout the regions. Property, after the lean mid-1980s, was the thing to be in.

Total returns shot upwards. On Investment Property Databank measurements, for all properties, they reached a peak of 31.8 per cent for the year to January 1989. But since then, returns have slithered downwards, so that for calendar 1989 they were 16.8 per cent. The halcyon years for the property industry have gone.

The reasons are not difficult to find.

The demand for space, which underpinned the rise in values, set off an explosion of property development. But that development is coming on stream at a time when the economic squeeze caused by high interest rates is making companies more cautious about taking on new space at prices which have increased sharply over the past three years.

This comes on top of the effect of high interest rates on house-buyers that, leaving aside any management questions, hastened the downfall first of Kentish Property and now JM Jones.

Furthermore the high interest rates have caused problems for commercial property companies, which have borrowed heavily from banks only too happy to push money into the sector. Unless they have used the panoply of financial devices like swaps and caps, their developments are more expensive to finance, their sites more expensive to hold.

Godfrey Bradman

Mr Godfrey Bradman is a vegetarian. He does not smoke. Chairman of Friends of the Earth, he is keen to have a cleaner environment. He is a friend of Prince Charles, and has visits from the Prime Minister. He is also deemed a financial genius. But yesterday it looked as if the Midas touch was beginning to dull, writes Paul Cheeseright.

Rosehaugh, the company he built up, looked in trouble as the stock market savaged its share price on news of a sharply discounted rights issue.

Mr Bradman's early commercial reputation was as a tax accountant, running the Inland Revenue ragged with ingenious schemes of tax escape. Ten years ago Rosehaugh had assets of less than £200,000 compared to today's £604m after the rights issue.

Mr Bradman has built his property reputation on a readiness to go into areas next to traditional business centres – such as Broadgate in the City – and then use extensive development to expand the traditional area to meet them.

He has also used a complicated but innovative fashion of property financing which has seen Rosehaugh spawn subsidiaries and associates. The aim has been to spread risk and link borrowings to a property project rather than to the company itself.

The stockmarket has to a large extent anticipated all of this.

Property shares generally took a hurtful tumble after the October 1987 equity market crash, recovered in 1988 but then, as the returns slid in 1989, underperformed the rest of the market, so that the FT-Actuaries Property Share Index started 1990 only marginally different from its start in 1989.

Rosehaugh and P&O/Chelsfield enter the story at this point.

Rosehaugh had been a market sweetheart, reaching a share price peak of £11.75 in 1975. But its rights issue price is a mere 17 per cent of that. The large property investment companies – Rosehaugh has been seeking to become one through the creation of assets by large development programmes – have traded at a discount of 40 per cent to their net asset value.

Arguably then the property companies are cheap: a disillusioned market has been fearing the worst for their future. But simply because they are cheap, they offer opportunities for the well-financed. JMB Realty of Chicago seemed at one stage to put a marker on Rosehaugh when it bought 4.9 per cent of the equity.

And now there is P&O/Chelsfield bidding £441m for Laing, an offer which is just above its historic net asset value per share. On the market, Laing had been trading at a 25 per cent discount to the UBS Phillips & Drew estimate of its current net asset value.

This bid does not quite fit into the category of the well-financed snapping up the weak. Laing is a well-established property investment company which over the last two years has become increasingly aggressive and energetic. But the greater part of its portfolio is in the US.

So the P&O/Chelsfield bid is saying, in effect, that if returns from British property are likely to go downwards, then it is no bad idea to diversify into another stream of income. It is the same philosophy that has motivated Hammerson among the large British property investment companies and, to a lesser extent, MEPC, British Land and Slough.

Here then is the good cheer for the market which has been expecting a surge of corporate activity in the direct property market the more financial conditions deteriorated outside. This is where the twin strands of sentiment are plaited.

Rosehaugh, of course, immediately looks a bid target. While Mr Godfrey Bradman, the chairman, has been at pains to stress that the rights issue is part of a strategy, tactical considerations would suggest that capital raising on the stockmarket at this time would be best avoided if possible.

The market has been unfriendly towards rights issues since mid-1988. In 1989 just £135.4m was raised and Rosehaugh wants to raise not far short of that in one fell swoop. Nor has Rosehaugh's share price been advantageous for capital raising. At 465p, just before the rights issue, it was just off its 1989-90 bottom, the fizz that had come from the possibility of a JMB Realty bid temporarily evaporated.

The offer of a massive discount to the market price on the rights price does not suggest any great confidence that the market will beam benignly on the offer. Rather it rams home the message of Mr Bradman's annual statement.

He said last November that there would be "difficult conditions in the year ahead", and added that "we expect levels of activity and group performance to be affected".

The outside market has been bearing hard on a widespread development programme, and debt has been increasing at a time when most companies have been trying to rein it in. At the same time it is more than likely that the downturn in the residential market has deprived Rosehaugh of the financial lubrication which oils its commercial development.

Mr Bradman has laid stress on Rosehaugh's medium-term prospects. The market is asking whether Rosehaugh has a medium-term existence as an independent company.

Receivers in at JM Jones as interest rates bite

By Andrew Taylor

JM JONES, one of Britain's largest privately-owned construction and property development companies, has gone into receivership with debts believed to be more than £50m.

It is the first significant commercial contractor to call in the receivers since UK interest rates started to climb almost two years ago. Until recently the strain has been felt mainly by house builders.

Contractors fear the recession in housebuilding will spread to other areas of construction, particularly commercial development which has boomed over the last two years.

Since May 1988 bank base rates have doubled from 7.5 per cent to 15 per cent pushing up the cost of finance for new development and restricting demand from tenants to fill all the office and retail space that is being constructed.

A survey by the Building Employers Confederation published yesterday reported a sharp fall in inquiries for commercial work in southern and eastern England. Developers say work is continuing on existing contracts but few new schemes are being started.

Jones, founded in 1918 in Maidenhead by Mr John Markham Jones, has constructed more office and factory space along the Thames valley to the west of London than any other British construction group.

The group has grown rapidly in recent years undertaking developments in areas outside the Thames Valley including large retail developments at Southport in Lancashire and at Boscombe near Bournemouth.

Turnover rose from £25m in the 12 months to end-March 1986 to £120m in the year to the end of March 1989. However, Jones had borrowed heavily to finance its growth.

In the year to March 31 1989 Jones incurred a loss after tax of £42,000 compared with profits of £208,000 in the previous year. Interest payments rose from £313,000 to £875,000 between 1987-88 and 1988-89.

The company's last accounts referred to serious trading losses at J Long & Sons, the Bath-based contractor specialising in restoration work which was acquired by Jones in 1986. J Long undertook the restoration of the Roman baths in Bath.

Jones is also thought to have problems on some of its other contracts, as well as on a development site know as Amen Corner in Bracknell. Mr Michael Jordan and Mr Malcolm London of accountants Cork Gully have been appointed as receivers to the group.

Stanhope may go solo on Royal Docks

By Andrew Hill

MR GODFREY Bradman, chairman of Rosehaugh, the property company, said yesterday that he would have no objection to Stanhope Properties taking on the £750m Royal Docks redevelopment in east London.

At the moment, the plan for a mixed development of shops, homes, offices and a marina is to be carried out by Rosehaugh Stanhope, a joint venture between the two companies.

"Royal Docks is like so many of these mega-projects: we have to keep reviewing the position," said Mr Bradman, who also announced a £125m rights issue for Rosehaugh yesterday. "Stanhope is very interested in taking it forward and subject to [Stanhope] being prepared to do so, I personally would have no objection to it ceasing to be a Rosehaugh Stanhope project."

Stanhope confirmed yesterday that it was seeking an agreement with London Docklands Development Corporation, which provided the land east of London City Airport in 1988, to take on sole responsibility for the project. The plan has been stalled for the last year over the exact terms of the development.

Warrant out for former chairman of Eagle Trust

By Richard Tomkins, Midlands Correspondent

WEST MIDLANDS Police yesterday disclosed that they had obtained a warrant for the arrest of Mr John Ferriday, former chairman of the Eagle Trust mini-conglomerate, in connection with the alleged theft of £13.5m of Eagle's funds.

They have also recovered a Rolls-Royce which was being used by Mr Ferriday in the Irish Republic. The car belonged to Eagle Trust and the company reported it to the police as stolen last month.

West Midlands Police were brought into the case last September by the Serious Fraud Office which had earlier launched an investigation into the alleged misappropriation of the company's funds.

Since then an eight-strong team of officers from the force's fraud squad has been investigating the financial operations of Eagle and its related companies and attempting to interview Mr Ferriday.

Police said Mr Ferriday's present whereabouts were unknown. Sightings of him have been reported in the Irish Republic and the US, and the Rolls-Royce he was using was found in County Wicklow, just south of Dublin.

The car – a black, E-registration Rolls-Royce with an estimated value of £60,000 – was being brought back to the West Midlands yesterday.

Eagle Trust's shares have been suspended since last May, and current chairman Mr David James said at the AGM that the company had incurred losses of £64m, wiping out shareholders funds. Mr James hopes to spin off some of Eagle's subsidiaries into two small holding companies. Eagle has a Mareva injunction preventing Mr Ferriday from selling his assets.

All-round growth lifts Beckenham to £3.8m

By Clare Pearson

BECKENHAM GROUP, which is involved in the making and installing of heating and ventilation ducts and in specialist distribution, yesterday reported a 76 per cent increase to £3.82m in pre-tax profits for the year to October 31.

Since the year-end, the company, which came to the USM last September and intends to seek a full listing, has completed the substantial £14.2m recommended acquisition of Bardsey, the fully listed hand tool distributor.

Beckenham became the biggest player in the UK's air-conditioning ductwork market when it acquired Femwork Group – its results are included on a merger-accounting basis – for up to £5.25m.

Mr Christopher Egleton, Beckenham chairman, said that the company would return to the takeover trail in 1990, although he did not expect to make a big acquisition until the second half.

"There are likely to be some good bargains coming up this year, with a lot of companies in the engineering sector feeling the pain, and we will have the financial strength to take advantage of them," he said.

Beckenham raised a net £5.1m via a rights issue last September. Adjusted for the new shares, earnings per share rose to 8.9p (7.7p) fully diluted. A final dividend of 1.5p is recommended to make 3p (2.5p) for the year.

Mr Egleton said that ductwork manufacturing was particularly buoyant at the moment with Femwork exceeding the forecasts made at the time of acquisition. "The current order book and other market indicators lead me to believe that 1990 will be another successful year."

Specialist distribution was also well ahead of last year with demand for small-ticket items in the hand tool market continuing strongly.

Mechanical and electrical engineering were also doing better than last year, although Mr Egleton warned that competitive pressures in the market were now emerging.

Beckenham's businesses other than Femwork accounted for £3.07m of the pre-tax figure, against £1.87m in 1988. This advance was almost entirely organic. Curtis Tools, sold to its management last autumn, put in a £230,000 loss.

Turnover was £77.72m (£46.02m). Net interest received stood at £160,000 (£8,000). There was a £235,000 extraordinary loss from a building services company wound down in 1988.

According to Barclays de Zoete Wedd, Beckenham's brokers, turnover this year is expected to be split as follows: about 25 per cent from hand tool and ductwork distribution; slightly more than 25 per cent from manufacturing; and the balance provided by the mechanical and electrical engineering business.

European Home top executives to resign after sale

By Nikki Tait

MR DOUG ASH and Mr Leslie Dingle, chief executive and deputy chief executive respectively of European Home Products, are resigning from the board of the retail and distribution company.

EHP said yesterday that the resignations followed a "reorganisation of board responsibilities", in the wake of the decision to sell the sewing and consumer durables interests to the Toronto-based International Sem-Tech Microelectronics group.

Mr Ash is also resigning as chairman, but will remain a consultant on the Sem-Tech sale. The resignations take effect when the sale is completed.

The £47m disposal to Sem-Tech was announced in December, as the group reported worsening trading conditions in southern Europe and predicted a substantial reduction in profits during 1989. At the time, it added that the deal would help to strengthen the balance sheet and that if it did not proceed a financial covenant in the existing bank facilities could be breached.

EHP maintained yesterday that the board departures were amicable and said that they had not been prompted by any request from the group's bankers. The sale will halve turnover, and will leave the group to concentrate on its Scholl personal care division.

Mr Neil Franchino, Scholl's managing director, is taking over as chief executive and acting chairman of the slimmed-down group.

The resignation of Mr Guillermo Forrati from the EHP board, which was announced earlier, will also go ahead. He was responsible for the Spanish sewing and consumer durable interests.

EHP said that compensation payments would generally be in line with service contracts, although Mr Ash would also receive payments for his on-going consultancy arrangement. Both Mr Ash and Mr Dingle are on two-year contracts.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:
Mid-States (Section: Third Market).
Thames Water (Water).
Wessex Water (Water).

Fund launches help Berkeley Govett to 25% earnings rise

By Nikki Tait

BERKELEY GOVETT, the Jersey-based fund management group which takes in the John Govett business, yesterday announced a 25 per cent increase to $39.3m (£23.3m) in 1989 pre-tax profits. Earnings per share rose by a similar percentage, to 42 cents.

The company attributed the improvement to the increase in funds under management – helped by a number of fund launches during the year – and the growth of its US-based small company investment business. Profit in 1988 was $31.36m and earnings were 33.6 cents.

Fee income totalled $44.87m ($36.24m), with a further $7.56m ($8.15m) of investment income being earned on bank deposits and liquid assets, and income from development capital/mezzanine investments jumping from $1.89m to $6.08m. The last increase, the company said, was partly the result of the transition from a portfolio heavily dominated by very low-yielding technology investments.

Funds under management by the year-end reached $2.1bn ($1.6bn), with a further $550m in venture capital investments. The figure was boosted by the proceeds of a number of new funds – ranging from various Far Eastern specialist to a sterling-denominated "umbrella" – set up during the year.

There were now plans to introduce a number of additional funds in the current year. The launch of a $100m Hungarian fund was expected later this month, to be followed by a Mediterranean investment trust and a German unit trust.

Total income in 1989 stood at $58.7m ($47.3m), while operating expenses rose only modestly, from $19.6m to $20.8m. Total operating profit ran out at $37.9m, just over $10m higher than in 1988.

Net profit on the realisation of investments fell from $3.66m to $1.78m, and there was a $395,000 loss on long-term insurance business, reducing the improvement to 25 per cent at the pre-tax level.

The final dividend is 10 cents making a total of 16 cents gross, up 23 per cent on the previous 13 cents.

London Pacific Life & Annuity, the newly-formed US insurance company, had generated more the $18m of premium revenues by the year-end. After start-up costs, the business made a net loss of $1.5m, but was expected to contribute to profits in the current year.

Bank of Scotland moves into Australia

By David Owen

BANK OF Scotland is expanding in the Antipodes with the purchase of a controlling stake in the fourth-largest Australian factoring company for A$3.5m (£1.61m).

It has agreed to buy 70 per cent of Hallmark Credits (NSW) and Hallmark Business Finance. The deal is in collaboration with Reading-based Kellock, its factoring company, and has been approved by the Australian authorities.

The bank already has an interest in the region through its 40 per cent stake in Countrywide Banking Corporation of New Zealand. The latest transaction, however, represents its first business investment in Australia.

Mr Archie Gibson, Kellock chairman, said: "This is a small but significant investment. It will dovetail well with the international aspirations of Kellock and with Countrywide." Mr Ben Allen, Kellock managing director, will become Hallmark chairman.

Hallmark is the result of a buy-out of the former Mercantile Factors operation from Australia's Mercantile Credits group.

Trinity buys more N American papers

By Clare Pearson

TRINITY International Holdings, the Chester-based newspaper publisher, yesterday announced its second acquisitive move in North America this month with the purchase of two free community newspapers and a paid-for publication, all in Vancouver, Canada.

The aggregate consideration comprises C$3.5m (£1.76m) for goodwill and C$300,000 for net assets, and has been satisfied in cash. Annual revenues of the companies total nearly C$3m.

Trinity has also this month announced a purchase in the US – Pennysaver Publications of Pennsylvania – for which it paid $13.46m (£8.02m) cash.

The Vancouver-based businesses are the WestEnder and the EastEnder which have a combined distribution in downtown Vancouver of 107,500 copies. The paid-for paper has a small circulation in Bowen Island, off mainland Vancouver.

The Pennysaver is an advertisement-only vehicle for local businesses in the Pittsburgh area of the US. Trinity already has a presence in this area through Gateway, a publisher of 18 weekly newspapers, which will provide the printing facilities that Pennysaver currently lacks.

Pennysaver made a loss after interest and amortisation of goodwill of $654,000 in the year to end-December 1988. At completion of its acquisition, it will have net assets of $1.27m.

Thyssen/Blue Circle talks on foundries

By Andrew Taylor

Thyssen, the West German-based heavy industrial group, is negotiating to buy a large part of the former Birmid Qualcast foundry business from Blue Circle, the British cement maker.

Blue Circle announced its intention to sell the foundries shortly after it completed the purchase of Birmid Qualcast for £300m in October 1988.

The aluminium and iron foundries – which manufacture a wide range of components principally for the automotive and defence industries – made profits of £7.6m in 1988 on turnover of £96m.

The foundry business has been valued at about £40m although not all of the seven foundries are likely to be included in the sale.

Interest rates cut Wholesale Fittings' profit

Difficult trading conditions created by the weakening economy and high interest rates hit interim profits at Wholesale Fittings, the electrical distributor.

In the six months to October 27, taxable profits came out at £2.56m (£2.98m). Turnover expanded from £28.8m to £30.5m.

Tax took £897,000 (£1.03m), leaving earnings per 10p share of 11.8p (13.9p). The interim dividend is again 3.22p.

The Essex-based company said that during the half year five new depots had been opened, although they were yet to contribute to profits. Three further branches had since been opened, and by the end of the year the total number will be increased to 46.

Turnover for the first two months of the second half was showing a slight increase over the corresponding period of the previous year.

£6m purchase for Pressac

Pressac Holdings, the electro-mechanical component manufacturer and precision engineer, is acquiring PJ Mason, a maker of neon sign components, for a maximum £5.93m.

This will be financed by a five-year US dollar loan repayable through Pressac's substantial dollar receipts.

Mason achieved profits of $680,000 (£587,000) on sales of £4.6m (£4.4m) in the year to September 30.

The first tranche of the consideration will be £5m, with the balance related to profit.

Waddington printers £4m mbo

By Andrew Bolger

A BUSINESS founded 200 years ago to print the Bible and Acts of Parliament under a royal patent has been sold by John Waddington, printing, packaging and games group, as part of a £4m management buy-out.

Margate-based Eyre & Spottiswoode, now a confidential printer, has been sold along with The Grosvenor Press (Portsmouth) to the managing directors of the two companies, Mr Graham Noakes and Mr David Desborough, with participation by their senior management.

Both companies still print laws for Commonwealth and other overseas countries and carry out quality and confidential printing for institutions and companies in the UK.

The new group will employ 330 people in two factories, with forecast sales of £13m in the year to March 31 and net assets of about £4m.

Institutional equity capital has been provided by 3i, the venture capital group controlled by Britain's large clearing banks, with other funding from County NatWest and National Westminster Bank. The buy-out team was advised by Spicers Corporate Finance.

Mr David Perry, Waddington chief executive, said that after reviewing its specialist print activities the group had decided to focus on developing web printing and direct mail activities by expanding at its Chorley & Pickersgill business in Leeds and at Waddingtons Business Forms, based near Huddersfield.

SHARE STAKES

The following changes in company share stakes have been announced recently:

AB Electronic Products Group: Scottish Amicable Investment Managers now holds 2.15m ordinary (8.46 per cent) with the acquisition of 23,450.

Airflow Streamlines: JTA Smith and BW Sutherland (jointly as trustees) have acquired 900 ordinary at 222p apiece, raising the holding to 947,620 (11.09 per cent).

Allied Leisure: Mr Duncan GF Moss, director, has bought 27,000 ordinary at 90p per share to lift his holding to 99,500. Mr Richard A Carr, chairman, bought 50,000 also at 90p, for an increased beneficial interest of 5.1m (38.48 per cent).

Applied Holographics: EBC Trust (Jersey) has bought 574,700 ordinary upping the holding to 1.46m (9.77 per cent).

Associated Energy Services: A concert party has lifted its stake from 12.2 per cent to 22.2 per cent with the purchase of 2.77m ordinary. The individual buyers were: Mr Harold Winton 1.05m; City Nominees (for Mr David Kleeman) 350,000; Mr David, Mr Henry and Mr Derek Kleeman 100,000; and UTC 1.27m.

BAT Industries: BAT has bought, for cancellation, 750,000 ordinary – 250,000 at 802p and 500,000 at 803p.

Berkeley Group: Saad Investments, in concert with two affiliated and related companies, holds 2.91m ordinary (7 per cent).

Bespak: Scottish Amicable Investment Managers now holds 1.41m ordinary (8.43 per cent).

Braithwaite: Norwich Union Life Insurance Society holds 1.31m ordinary (9.17 per cent).

Bridon: Britannic Assurance bought 300,000 at 203p and 200,000 at 185p for an increased holding of 4.12m (7.3 per cent).

British & Commonwealth Holdings: Scottish Amicable Investment Managers and funds under its control now hold 30.15m ord stock units (8.35 per cent).

Brompton Holdings: Adia has increased its holding to 6.64m ordinary (36.7 per cent) with the purchase of 243,000.

BSG International: Through IEP Securities, Sir Ron Brierley holds 32.71m ordinary (16.12 per cent).

BSS Group: Prudential Corporation has disposed of 231,287 ordinary, reducing its holding to 1.07m (5.18 per cent).

Cambridge Electronic Industries: Funds under the control of Scottish Amicable Investment Managers hold 2.68m ordinary (6.25 per cent).

Copson (F): Fleming Mercantile Investment Trust is beneficially interested in 703,988 ordinary (6.05 per cent).

Creighton's Naturally: Funds managed by Friends' Provident Life Office now hold 296,381 ordinary (6.46 per cent).

Dares Estates: Funds under the control of Scottish Amicable Investment Managers hold 15.28m ordinary (8.2 per cent).

Dixons Group: Prudential Portfolio Managers holds 19.82m ordinary (5.16 per cent).

Fine Art Developments: Mr Keith Chapman has disposed of 200,000 shares at 272p apiece, reducing his holding to 6.53m (8.31 per cent).

Geest: Robert Fleming Asset Management holds 3.84m ordinary (5.52 per cent). Prudential Corporation has increased its holding by 100,000 and now holds 4.23m (6.08 per cent).

Glamar Group: Institutional investors have bought 1.19m ordinary (5.2 per cent) from Dwek Group, which no longer has a holding.

Guidehouse Group: Mr Stuart J Thorn, director, has disposed of 30,000 ordinary, reducing his holding to 1.81m (8.12 per cent).

Hafnia Invest: The company has acquired 54,000 B shares to be transferred to FLS Industries, as the final payment for Forenede Assurandorer.

Logica: Total holdings of Morgan Grenfell and subsidiaries after recent 50,000 ordinary purchase is now 3.05m (5.01 per cent).

London and Clydesdale Holdings: JG Swanson, a director, has sold 30,000 shares reducing his total interest (including his wife) to 737,000 (8.1 per cent).

Low (William): IEP Securities, a wholly-owned subsidiary of Industrial Equity Pacific (a Sir Ron Brierley company) is the beneficial owner of 6.2m ordinary (15.81 per cent).

Pegasus Group: Following the sale of 30,000 ordinary, Kleinwort Benson Investment Management now manages 353,750 (6.27 per cent).

Perkins Foods: Friends Provident Life Office now holds 4.81m ordinary (5.1 per cent).

UK COMPANY NEWS

Standby loan facility for Ferranti

By Hugo Dixon

FERRANTI International has strengthened its financial position by putting in place a £62.4m standby loan stock facility, renegotiating its banking arrangements and signing a deal to sell its radar division to the General Electric Company of the UK.

The company has adjourned the extraordinary general meeting called to approve a £187m rights issue, since when the meeting reconvenes on February 26 it should have received £270m from GEC so should no longer need it.

Ferranti expects to receive a further £40m from GEC for the sale of half of its Italian businesses, giving a total of £310m.

Ferranti does not intend to use the new £62m loan stock facility. It expects to make further asset disposals over the next two months which would make the facility redundant.

However, Baring Brothers, Ferranti's merchant bank adviser, believes the loan stock facility will give Ferranti's bankers greater confidence and allow the company to negotiate longer term banking agreements.

Under its latest banking agreement, signed last Friday, Ferranti has promised to raise £270m cash by March 5. It must raise further amounts at specific dates in the following months.

If Ferranti raises more than £62m in asset sales by the end of May, the loan stock will not be issued. If more than £31m is raised but less than £62m, half the loan stock will be issued.

If issued, the loan stock would carry a 20 per cent annual coupon. Any cash from asset sales which Ferranti received before the end of this year would be used to pay off the loan stock.

In the event that the loan stock was not repaid by the end of the year, it would be converted into ordinary shares at 25p per ordinary share. Ferranti is paying its underwriters half a per cent for committing themselves and will pay a further one and a quarter per cent if the facility is used.

At yesterday's EGM, Sir Derek Alun-Jones, Ferranti's chairman and chief executive, refused to confirm speculation that Mr Eugene Anderson, former chief executive of Johnson Matthey, would receive half a million Ferranti share options as part of a package to persuade him to take over as chairman.

Hawker expands via C$13m buy

By John Thornhill

HAWKER SIDDELEY, the engineering group, is to expand its presence in the North American motor market by buying the motor division of Electrohome for C$13m (£7m).

Electrohome manufactures motors mainly for the equipment cooling and air movement markets at three factories in Ontario, Canada, and Arkansas and Tennessee in the US. In 1989 it had sales of over C$42m.

Goldsmiths issue fails to sparkle

By Clare Pearson

THE UNDERWRITERS have been left with more than 30 per cent of the shares issued by Goldsmiths Group, the jewellery retailer, in its offer for sale, though activity in this market has been thin of late.

Through 2,713 applications, the public asked for just 11.53m of the 17.11m shares being sold at 150p each. Employees put in for a further 99,300.

Mr Jurek Piasecki, chairman, yesterday admitted the response from investors had hardly been overwhelming. "But in view of the bad news still coming out of the high street, I am perfectly happy with the uptake," he said.

Elsewhere, it was suggested that the shares had been priced too ambitiously against a background of investor reluctance to commit new money to the market, as well as the particular concerns hanging over the retail sector.

The shares were priced on a pro forma prospective p/e of 11 for the year to March 3 – making them more expensive than Ratners, its fellow listed jeweller. Goldsmiths' initial market value is £32.89m. It was also suggested that there may have been some concern about its relatively brief record as a company involved solely in jewellery retailing.

The flotation marked a return to the market after a two-year absence for Goldsmiths. Earlier involved in hotels and insurance as well as jewellery, it was taken over in early 1987 by Oriflame, the Swedish cosmetics group. In March its management bought it out.

The offer was arranged by Hoare Govett. Dealings in the shares start on Friday.

Leaving aside the water privatisation issue, Goldsmiths marked the first offer-for-sale to emerge on the main market since the much bigger issue for Hays, the business services group, flopped last October.

Allied-Lyons sells Normand motor distributors for £30m

By David Owen

IN A move in keeping with current strategy of reviewing non-core activities, Allied-Lyons has sold the bulk of the Normand Group, its motor distribution business, to the Normand Motor Group, a company formed by the existing management and Phildrew Ventures.

The disposal follows the food and drink group's decision last December to put its Embassy Hotels chain up for sale. Allied is also mulling the future of its J Lyons catering division.

Twenty of Normand's 24 franchise outlets, representing some three-quarters of net assets, are included in the deal, which is understood to be valued at just under £30m.

The outlets cover eight passenger car marques (including Mercedes), three commercial vehicles and two motorcycles. Announcements concerning the Ford and BMW franchise outlets that comprise the rest of Normand's business are expected soon.

Allied is to retain 10 per cent of the equity in the new company. About 10 per cent of the overall price tag will also be deferred as cumulative preference shares. Initial gearing will be approximately 150 per cent.

According to Phildrew, a venture capital concern which specialises in management buy-outs in the £10m-£100m range, the transaction has been structured conservatively in anticipation of a sectoral downturn in the year ahead.

"In what is likely to be a difficult year, we felt it sensible not to overstretch the level of debt", said Mr Frank Neale, a Phildrew partner. "We have built in sufficient facility in case there is a rainy day", he added.

Last November, the directors of Western Motor Holdings – an automotive, retailing, distribution and transport group – abandoned a plan for a management buy-out after three months of negotiations.

The directors said at the time that the prevailing interest rate environment had made it impossible to arrange financing which reflected adequately the group's "long term potential and intrinsic value."

Software growth for Next

By David Owen

NEXT, the fashion retailer and mail order company, has acquired TCS Management Group, a privately-owned software concern, in a $12.5m (£7.37m) deal.

TCS, based in Nashville, provides a planning system that permits the likes of mail order companies and airline reservation services to project future switchboard staffing levels.

The business squares neatly with the exchange monitoring services provided by Callscan and Perimeter Technology, two other Next subsidiaries. TCS has worked closely with Perimeter for two years.

The transaction, conducted by Next (Europe) through its US subsidiary, is the group's second in as many weeks involving a US company. Last Thursday, it unveiled a joint venture with Atlanta-based Equifax to provide a range of information services throughout Europe.

Next (Europe) will pay the amount due in three instalments: $5m immediately, to be followed by two payments of $3.75m in December 1990 and February 1992.

The deal will be funded out of the proceeds of last month's £47.6m sale of Biba, the women's fashion shop chain in West Germany. The transaction is expected to have a four-year payback, according to Mr Peter Lomas, Next finance director.

In 1989, TCS made pre-tax profits of $1.63m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Beckenham § ....fin	1.5†	-	1.5	3	2.5
Berkeley Govett .....fin	10‡	-	8	16	13
UTC § ....fin	0.5	Apr 27	6	5	10

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡In US cents, gross.

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TECHNOLOGY

Standards of compatibility

AS the battle for viewers on the satellite airwaves gathers pace, a group of European broadcasters and manufacturers have put their weight behind a single broadcast and encryption standard.

British Telecom (BT), France Telecom and Bull HN, of France, have come down clearly in favour of the D2 — Mac transmission standard and the Eurocrypt system of encoding information to prevent unauthorised viewing.

They hope this will eventually result in satellite television subscribers in Europe needing just one decoder box in order to receive programmes from all the satellite companies.

BT Visual Communication has begun technical discussions with Bull to make the French company's smartcards — a plastic card with a semiconductor chip on it — compatible with the BT satellite television management system.

A paint job for swimmers

A WAY of carrying out the seemingly impossible task of painting the bottom of a ship while it is still afloat, has been developed by scientists in Leningrad and Moscow.

The Esian family of anti-corrosive epoxy coatings dries in the air or under water. As the coatings are immune to petrol and organic solvents, and provide a degree of protection against acids, they could be used for lining industrial buildings as well.

The coatings can be applied to metals or concrete in temperatures as low as -5 deg C — ideal for an icy Russian winter.

Scientists at the Montazhkhimzashchita Trust, in Moscow, who carry out international anti-corrosion projects are keeping mum about the formulation of the coating.

Double deal for financial data

LONDON'S market makers are being offered a single computer package designed to handle both the fast-moving "front office" buying and selling of equities and the more leisurely "back office" accounts and reconciliation procedures.

Designing the software to integrate both functions helps speed up the processing of the data. The new package, called Equity, has been developed by NMW Computers, of Cheshire, and Winterflood Securities, the first independent equities market making firm to be set up in the City after Big Bang. The software runs on IBM's System/88 hardware and is connected into the Stock Exchange quotation system SEAQ by a packet switched data line.

NMW is planning to extend the scope of the software so that it can deal with other financial sectors.

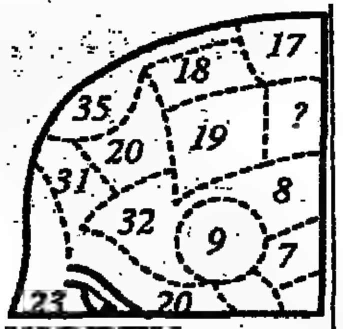
Friendly bacteria cleans the water

A GROUP of American civil engineers has successfully tested a new process for removing potentially dangerous industrial pollutants from ground water, writes Andrew Wiseman.

The process, known as biostimulation, was devised at Stanford University in California. It feeds methane and oxygen to the bacteria which inhabit underground water supplies and takes advantage of the fact that methane-eating bacteria (methanotrophs) naturally produce a powerful enzyme — methane mono-oxygenase (MMO) — which breaks down many pollutants, such as vinyl chloride.

Once the pollutants have disintegrated, other bacteria (heterotrophs) take over and in the end only stable mineral products remain in the water.

Because nature does not create enough methanotrophs, the engineers bred them in large numbers, feeding them on methane and oxygen. The bacteria broke down 95 per cent of vinyl chloride and smaller amounts of chlorinated solvents.



WORTH WATCHING

Edited by Della Bradshaw

Turning the tide on a red moon

THE ancient mariner may have fared better if he had been given the latest in sailor chic: a Swiss-manufactured chronometer which predicts both tides and phases of the moon — as well as telling the time.

In the centre of the watch face is a rotating red "moon", driven by microscopic gears. When the moon is in the 12 position it is full tide. In the two position, two hours after full tide, and so on.

When it reaches the six position the first moon disappears to be replaced by a second one, which travels hour by hour back to the 12 position. This odd manoeuvre cleverly compensates for the extra 25 minutes which creep into the tidal cycle — the time between each high tide averages 12 hours and 25 minutes.

The red "moon" varies in shape according to whether there is a full moon, new moon, or so on. To use the chronometer the sailor sets the tide and moon dials when it is high tide at his or her local port. High tides at other ports are calculated by using a manual dial.

Computers take the biscuit

COMPUTER-aided design software is usually associated with the large and the greasy. But an Australian biscuit company is using UK-designed software for a far sweeter task.

Arnotts, bakers of such well-known Antipodean confectionery brands as Honey Jumble and Thin Captain, has installed software from Cad-Centre of Cambridge in its engineering subsidiary to help it make the biscuit cutters and moulds. The software used is Diad, a computer-aided design package for the manufacturing sector, and GNC (graphical numerical control) which converts the design software into data that can be interpreted by the machine tools — in this case to cut the cutters.

Contacts: BT: London, 726 3469. Bull HN: France, 1 4502 9180. Montazhkhimzashchita: USSR: 095 272 71 98. NMW Computers: UK, 0270 628023. Winterflood Securities: London 621 0004. Stanford University: US: 415 725 1944. Krieger: US, 305 534 8453. CadCentre: UK, 0223 314848.

Plastics take on unconventional roles

Peter Marsh explains the growing importance of materials concocted to do a specific job

FOR years, plastics have been considered the junk of the industrialised world. When Dustin Hoffman, playing the title role in the 1960s film The Graduate, was told the plastics industry was the business of the future, audiences sniggered.

Smiling now, however, are the managers and scientists involved in one sector of the plastics industry that has grown rapidly since the late 1980s. It makes what are known as engineering plastics — high-value, speciality materials that are finding their way into a variety of places, including the car industry, factory machinery, aerospace, defence and consumer goods.

About 10m tonnes of engineering plastics, worth roughly $25bn (£15bn), are sold each year — a fraction of the plastics industry's total annual revenues of some $120bn. The biggest sellers are standard plastics for relatively mundane applications, such as packaging and building materials.

The importance of the engineering plastics sector is that it seems likely to keep expanding at around the 8 to 10 per cent rate, at least for the next few years; whereas the plastics business as a whole looks set for fairly slow growth during the coming decade. A flattening of demand is predicted in the wake of slower economic growth in many developed countries and because of worries about the environmental effects of plastics waste.

Materials categorised as engineering plastics cover a variety of products, including relatively old-established thermoset epoxy resins, often used in composite structures in which the plastics are strengthened by fibres such as glass or carbon.

Many of the other engineering plastics are tongue twisters, helping to explain the general anonymity of the sector. They include polyphenylene oxide, polybutylene terephthalate (PBT), some grades of polyethylene terephthalate (PET), polyethersulphone and polyphenylene ether alloys.

Among the best selling substances in the family are rather easier-to-pronounce plastics such as polycarbonate, polyacetyl and polyamide — better known as nylon. Also included are acrylonitrile butadiene styrene (ABS) and some specialist forms of polypropylene, one of the high-volume standard plastics.

What these materials have in common is that they offer special properties, such as strength or heat resistance. As a result, they become suitable for less conventional applications than, say, packaging. They may, for instance, be used as substitutes for metal in car or washing machine components.

They are generally more expensive than basic plastics like polyethylene. While the basic materials sell for between $700 and $2,000 a tonne, engineering materials normally cost at least $3,000 a tonne and the price of the most complex ones can run to 10 times this.

The leaders in engineering plastics include chemicals giants such as Bayer and BASF, of West Germany, and Du Pont, General Electric and Dow, of the US. In the Far East, Chi Mei, of Taiwan, and Lucky, of South Korea, have emerged as strong competitors in ABS resins.

Several elements stand out in the way such companies are positioning themselves for the 1990s, in terms of both research and marketing strategy. These groups are spending hundreds of millions of dollars on research into the chemistry of plastics production. Through improving their understanding, they can vary production conditions to tailor specific materials to suit the needs of customers.

Such work is highly expensive. Dow, for example, estimates that since the early 1970s it has spent more than $130m building up a base in polycarbonate production. It started to make a profit on this activity only a few years ago.

One way to make materials with the correct characteristics is to blend different types of plastic in particular concentrations, as in PET/PBT alloys; or other materials can be added. For example, polypropylene, which is normally a relatively low-strength, low-value plastic, can be toughened by adding filler such as chopped glass fibre.

'To succeed in this business you have to get close to your customers'

The materials that result offer a range of slightly different properties in terms of factors like weight, aesthetics, heat resistance or ease of recycling.

"To succeed in this business you have to offer a complete product portfolio and get close to your customers," says Frans Van Helmond, marketing director at the engineering plastics division of DSM, a big Dutch plastics company.

In terms of engineering, the large players in engineering plastics are increasingly forming teams with customer groups. They tend to join forces to work on specific applications, such as how to use a certain type of engineering plastic in a moulding process for a car part.

As one example, Dow has formed a joint venture with Sikorsky, the US helicopter maker, to investigate new composite structures based on engineering materials. And General Electric's European plastics division has fitted out its technical laboratories with computer links so that they can swap design information around the world with large customers, particularly from automotive groups such as Volkswagen and Ford.

In some cases, GE engineers can feed the data directly into computerised machine tools and other production equipment. The company is working with its partners on designs for a variety of parts, from bumper assemblies to body fittings.

Engineering plastics often lend themselves to high-speed automation processes, such as injection moulding or laser welding, in which identical components are turned out in large quantities and at high speed.

In some industries, many parts such as engine components and body panels have generally been made of metal in labour-intensive cutting and shaping processes. The relative ease of applying automation to engineering plastics may in some cases give these materials an edge over metals. "You can have better design flexibility and save costs in production," says Fred Corson, an engineering plastics specialist at Dow in the US.

As a result of these trends, suppliers are increasingly recruiting not just chemists and physicists but people skilled in automation routines. Some engineering plastics companies are also moving further "downstream" by acquiring or setting up operations to make finished products.

Alliances in the sector are increasing as suppliers attempt to pool their technological know-how with that of other companies. Some Japanese companies, which are relatively small players in the industry, have set out to form partnerships with western companies, either to gain technological expertise or to gain access to markets in Europe and the US.

For instance, Idemitsu, a Japanese materials company, plans to set up a joint production unit in Holland with DSM to make polycarbonate. Among similar partnerships involving Japanese companies is a venture in Japan between Dow and Sumitomo, also in polycarbonate. General Electric is collaborating with Toso in a highly specialised plastic called polyphenylene sulphide. Hoechst and Kureha have a similar deal involving the same material.

Though the recent growth in engineering plastics has been strong, and expansion prospects for the near term remain good, some observers believe the sector may hit trouble later in the 1990s. For example, as customers acquire materials expertise in fields such as cars and aerospace, they may become more discriminating in their future purchasing.

As a result of this, they may be wary about paying the high prices for materials that have prevailed up to now, says James Finnegan, a plastics expert at Arthur D. Little, a US consultancy.

That could put pressure on suppliers, as could the hints of overcapacity in the industry. According to Finnegan, the sector — buoyed by its success in the late 1980s — may be over-investing in plant extensions, something that could lead to the market being swamped by supplies over the next few years. This could be followed by a slip in prices and profit reductions for the large groups in the business.

World production of engineering plastics 1989

Total 10m tonnes

	million tonnes	Leading suppliers
Polypropylene*	4	Himont, ICI, DSM
Acrylonitrile butadiene styrene (ABS)	2	General Electric, Dow, Monsanto, Lucky, Chi Mei
Polyamide (nylon)	1	Du Pont, Hoechst, BASF, ICI, Toray
Polycarbonate	1	General Electric, Dow, Bayer Mitsubishi Gas Chemical
Thermoset epoxy resins	1	Shell, Ciba-Geigy, Dow
Polyacetyl	0.5	Du Pont, Hoechst, BASF
Other thermoplastics**	0.5	Various

* Engineering grades only
** Includes polyphenylene oxide, polybutylene terephthalate, some grades of polyethylene terephthalate, various alloys and other materials

Source: Industry estimates

COMMODITIES AND AGRICULTURE

Political uncertainties send gold price to 14-month high

By Kenneth Gooding, Mining Correspondent

POLITICAL uncertainties in the Soviet Union and South Africa, which between them account for about 55 per cent of the world's gold supplies, combined yesterday to drive up the metal's price in London to $425.50 a troy ounce, the highest level for 14 months.

The price eased back by the end of the day to $423 an ounce, still $5.25 up on Friday's close.

Some traders said it was important that gold had stayed above the $420 an ounce level, something it had failed to do on four previous occasions in the past three weeks. At the $420 level substantial selling by producers is triggered.

Analysts said the market attempted to absorb news from yesterdays meeting of the central committee of the Soviet Communist Party while still feeling uneasy about possible new tensions in South Africa in the wake of the political reforms announced last Friday.

Also equity and bond markets were "a little jumpy," particularly in Japan, and this contributed to the uncertainties which sent some investors into the market for gold bullion.

Ms Rhona O'Connell, precious metal analyst at Shearson Lehman Hutton, said that, on balance, the uncertainties affecting the gold market were neutral in effect. "But there are so many uncertainties, gold went up."

Mr Andrew Smith, analyst at UBS Phillips & Drew, said: "The uncertainties are so great, no-one is going short of gold this week."

The analysts said they felt no need to change their previous short-term forecasts. "Gold is on a gently bullish trend and should see $440 an ounce before this current quarter is out," said Ms O'Connell. Mr Smith suggested gold could "spike" up to $460 "some time soon" but that he expected the price to average $430 to $440 an ounce for February as a whole.

Sales of Soviet gold bullion into the West could drop by half this year from the 1989 level because of production difficulties and soaring domestic demand, says UBS Phillips & Drew in its latest review of the gold market.

Analyst Mr Andrew Smith speculates that Soviet sales could drop to 100 to 150 tonnes, the lowest since 1983.

He points out that civil unrest and nationalistic uprisings are sweeping the Soviet Union and gold production might well be adversely affected by these disturbances.

Most Soviet gold is mined in Siberia, where oil wells recently have closed because there is not enough aviation fuel to fly in maintenance crews. Gold mines would suffer a slow re-start in the spring if they were similarly affected.

Mr Smith suggests it is "unlikely" that Moscow will sell gold from its stocks to make up for any production shortfall.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	-1,000	to 86,478
Copper	-4,200	to 99,950
Lead	-425	to 17,625
Nickel	-216	to 6,930
Zinc	[illegible]	[illegible]
Tin	+265	to 10,660

More of the same planned for US Farm Bill

By Nancy Dunne in Washington

THE CURRENT US farm programme, due to expire next October, has been the least predictable and most expensive ever. Yet the next Farm Bill is likely to produce no more than a modest shift from the subsidy-backed, export-oriented model which maintains US pre-eminence in world farm trade.

The Bush Administration's thinking is reflected in the budget delivered to Congress last week. That document hails the "major improvements" in the US farm economy since 1985 – net farm income at an all-time high of $48bn last year, land values increasing again, farm debt down 28 per cent since 1983 and exports rebounding.

All this has come at no mean cost; the estimated price tag of the programme over five years is $80bn. A return to normal weather and good yields could mean even higher levels of federal price and income support payments in the years ahead.

In the new Bill, the Administration is seeking "greater market orientation" to reduce the cost of farm programmes and, at the same time, keep farm incomes high.

Clayton Yeutter: Campaigning for phasing out of supports

The budget proposes that $1.5bn be slashed from support payments and suggests the following options:

- Reducing the number of acres eligible for supports.
- Accelerating the decline in income and price supports written into the programme.
- Eliminating government payments to farmers with adjusted gross incomes of more than $100,000 a year.

Meanwhile, the Administration wants to boost the farmers' flexibility and eliminate the current incentives that encourage production one crop rather than another because of the differential in benefits.

Currently, those who take supported acres out of production cannot plant other crops. This would be changed and farmers allowed to plant other crops to offset any losses resulting from lower government payments. Some of the risks of overproduction would thus be transferred from the Government to the farmer.

The budget calls for "further action. . . to move toward a more market oriented system, consistent with the US posture in international negotiations." But the Administration has frequently insisted that it would not "unilaterally disarm" on subsidies before its competitors agree to follow suit.

Mr Clayton Yeutter, the US Agriculture Secretary, has embarked on a personal campaign to get the American commodity groups in line behind the US proposal in the Uruguay Round of the General Agreement on Tariffs and Trade to phase out supports.

"The American farmer has never been afraid to compete with farmers in other parts of the world, and I don't believe you are now," he says. "We have fertile land, the best agricultural infrastructure in the world, excellent research institutions and a competitive advantage in skilled farm management." And, he warns: "There is nothing some of our trading partners would like better than to see the US be divided just when the hard negotiating on agricultural trade issues really begins."

The worry, expressed by some farm groups, that the US Farm Bill will be written in Geneva, he calls "just so much political poppycock." The plan is to produce a Bill this summer that can be amended, in line with any agreements reached in the Gatt, next year.

Mr Yeutter has also become entangled in a debate with the environmental lobby which wants to discourage the use of pesticides and fertilisers. With the enormous productivity of US agriculture at stake, he has railed against the "environmental terrorism" of groups like the National Resources Defense Council.

Maintaining that chemicals are are not yet a serious health problem in ground water, he promised to submit recommendations to prevent water contamination could from becoming a future concern.

The farm secretary is also defending the President's proposed budget cuts for agriculture. Controlling deficit spending will hold down interest rates because "agriculture is a big borrower," he said.

The cuts, however, must be limited. As the European Community's Gatt negotiators have found, whatever concessions are made to the budget, will be taken as a starting point by trade rivals – if and when Gatt negotiators are able to thrash out a plan to phase down government payments.

To some farm lobbyists the continuity proposed for the Farm Bill is a disappointment. Management control schemes still have fervent adherents. Others say the farm programme should strive for a moderating balance.

But to many, viewing the changes in Eastern Europe, the promise of both new markets and threat of new export competition, continuity seems the wisest course until sense can be made of the current chaos.

Brazilian sugar sales cleared

By John Barham in Sao Paulo

A BRAZILIAN court finally cleared on February 1 a controversial sugar export deal between the Government's Sugar and Alcohol Institute (IAA) and commodity trading houses.

The deal had been challenged by Cacex, the Government's foreign trade department, alleging that it was illegal to export products at below market prices. The ruling now appears to free the way for the exports, which Cacex had blocked since the beginning of the year. Cacex said it had not decided whether to appeal against the ruling.

A US diplomat monitoring the quarrel said: "This case is really about whether Brazilian officialdom recognises forward contracts when their country is on the losing end."

The IAA agreed last November to the complex operation with the trading houses, because it was unable to meet forward contracts signed as far back as 1984, which called for the export of 492,000 tonnes of white and demerara sugar in 1989. The institute thus agreed to an alternative scheme proposed by the traders, whereby it would turn over its entire stocks of 317,000 tonnes of more expensive white sugar, plus its US import quotas, equivalent to a further 93,500 tonnes of white sugar.

However, Cacex refused to issue the necessary export licences, despite the attorney general's prior approval for the deal. Cacex said the forward contracts specified a price that is now less than half the current world price, causing lost revenues estimated at between $60m and $80m.

Washington had pressured Brazil to release the sugar in order to fill its 1989 export quota. The US limits access to its domestic market, but pays above market prices. It threatened to share out Brazil's 1989 quota among other exporting countries unless shipments began by a final deadline set for yesterday.

Coffee Institute forecasts small crop

THE BRAZILIAN Coffee Institute says it expects a 24.5m bag (60 kg each) harvest for the 1990-91 coffee year, writes John Barham. The estimate is towards the bottom end of the range of private forecasts, which vary between 22m bags and 27m bags, and it confirms a heavy decline in Brazilian output. In a good year Brazil can harvest up to 35m bags, allowing it to supply a third of the world market.

The institute's figure is based on field surveys carried out in November and December last year. According to the forecast, the state of Minas Gerais will produce most of the country's coffee, with a harvest of 8.6mn bags. The state produces Brazil's finest Arabica coffees, most of which are exported. It lies to the north of traditional coffee country, making it less subject to damaging frosts during the southern hemisphere winter.

The state of Sao Paulo is ranked second, with output of 5.5m bags. Sao Paulo and Parana state, which should produce 2.3m bags, were once the main centres of Brazilian coffee farming, until a series of crippling frosts devastated their coffee bushes.

Mr Bruno Angst, a coffee analyst, said that Brazil may not see a major harvest for many years. He expects the current harvest to produce 21.6m bags, with the 1990-91 harvest yielding 24.3m to 25.5m bags. The 1991-92 harvest might be even smaller, he said.

While Minas Gerais could produce up to 10m bags in 1990-91, thus improving the availability of export coffees, output might decline sharply in the following year, Mr Angst said. Its soils were generally poor and therefore production costs were high, he pointed out. And he warned that unless world prices recovered farmers in the state might cut back production severely.

An uphill struggle on the pig price cycle

The recent switch from boom to bust has left even hardened practitioners bewildered

FARMER'S VIEWPOINT

By David Richardson

THOSE OF us who try to make a profit from producing pigs are familiar with market volatility. The "pig cycle" is notorious and usually follows a fairly predictable course, with peaks and troughs about every five years. But the speed of this most recent switch from boom to bust has bewildered even hardened practitioners like me.

A year ago the UK's Average All Pigs price, calculated from a complicated range of returns from a variety of market outlets and used as the basis for many supply contracts, stood at 98.69p a kilogram deadweight. By mid-October 1989 the AAPP had rocketed to 133.6p a kilogram and some pigs in areas of local deficit were being sold at more than 140p a kilogram.

This week the same indicator price stands at 102.67p a kilogram having fallen like a stone since last autumn to 101.9p in mid-January. The current level therefore represents a marginal recovery, which economists at the Meat and Livestock Commission (MLC) believe will continue until at least the early spring when they expect the AAPP will stand at 110p to 112p.

There are, of course, some obvious explanations, not least consumer resistance to the record prices of last autumn. Like the rest of the UK economy the pig business became overheated and there was bound to be a reaction.

As supermarket buyers reduced their purchases from wholesale suppliers demand and prices fell. Slaughterers who had been stocking up with expensively acquired hams for the Christmas trade suddenly saw their value declining and pushed them onto the market early to cut losses, thereby forcing prices down even further.

But that does not fully explain the collapse of the pigmeat market during November. After all there were 5 per cent fewer pigs on UK farms last summer than there had been the previous year and that should have created a shortage. Indeed in spite of increased imports during 1989 total consumption of pigmeat in this country was 2 per cent down compared with 1988.

Another factor that undoubtedly influenced the situation was a sudden increase in Danish exports to the UK in November and December. Details are scarce but apparently the Danes sold substantial supplies of pig products to Japan last year under a ten-month contract which expired in October.

The Japanese, I am told, refused to sign for a full year to give themselves the opportunity to look elsewhere for supplies if necessary and also to renegotiate prices. In any event this left the Danes with surplus product to dispose of, a sizeable proportion of which was sent to Britain.

It is rumoured that a new contract between Denmark and Japan has been concluded and that deliveries against it have begun. If this is the case it is consistent with the marginal rise in UK pig prices since mid-January. Needless to say I and other British pig farmers wish the Danes continued success in their export efforts in the Far East.

For while market prices for pigs fluctuate wildly from loss to profit and then back again the costs of production continue their inexorable rise. According to the University of Cambridge Pig Management Scheme figures from 142 East Anglian pig herds reveal that during 1989 labour costs rose an average of 6 per cent, feed prices were also up 6 per cent and other costs were 9 per cent higher.

Small wonder then that last year's improved prices persuaded few pig producers to expand. The combination of punitive interest rates and the high risk of another market collapse were seen as too dangerous for most farmers or their bank managers to contemplate.

In fact agricultural bankers will freely admit that having carried many pig farmers through the depths of the 1988 pig depression they chose the summer and autumn of 1989 to pull the plug on some of them. By so doing they took advantage of the higher stock values to maximise the banks' returns and in some cases enabled the farmer to avoid insolvency. But they have no wish to support precarious pig farms again in the immediate future.

The only significant expansion that appears to have taken place is that of outdoor breeding herds – a clear response to the activities of the welfare lobby and to the perceived preference of the public for "green" food over that which is intensively produced. Outdoor systems have taken off over the last couple of years.

The fact that the capital required is probably only a fifth of that needed to set up an indoor unit is also obviously significant. Some commentators on the pig scene have gone so far as to predict that 15 to 20 per cent of UK breeding herds could one day be kept outdoors.

I have my doubts about that, however. At present it has been estimated that there are only about 20,000 outdoor sows in the UK, which represents only 2.5 per cent of the national herd of 750,000. I am not at all sure that there is sufficient suitable light, sandy land or for that matter pig herdsmen prepared to put up with all weathers to make that forecast come true.

Nevertheless outdoor herds have appeared on new farms recently and their introduction has been encouraged by two of the mildest winters this century. They have in many cases been financed by feed companies who have the financial resources to withstand recurring pig cycles and presumably see the system as an opportunity to lock in extra feed production through vertical integration – the farmer having little or no capital involvement except providing the land and labour.

The feed company supplies the breeding sows, the stud boars and the feed. And when weaner pigs are ready for sale, the company arranges that too, often ensuring that they are fed on the firm's rations right through to the slaughter house which may also be under its control.

It is probable that well over a third of all pig production in Britain these days is financed in this way. So much for the traditional image of the independent farmer.

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE METAL prices declined across the board on the LME yesterday. Copper failed to breach minor chart resistance around $2,270 a tonne for three-month metal despite a decline of 4,200 tonnes in LME warehouse stocks to a 13-week low of 99,950 tonnes. The market remains in a mildly bearish trend although it appears oversold after recently falling steeply to an 18-month low of $2,150 a tonne, reflecting jittery equity markets, recessionary fears and a lack of fresh bullish fundamentals. Three-month aluminium failed to test the $1,470 a tonne resistance area despite a 1,000-tonne fall in LME stocks last week (against a forecast rise of 5,000 to 8,000 tonnes). Nickel also remains in a bear trend, and analysts believe the 2¼-year low of $5,800 a tonne for three-month metal seems likely to be tested again.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.85-7.00z	+.025
Brent Blend	$20.05-0.10z	
W.T.I. (1 pm est)	$22.80-2.85z	-0.17
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$230-232	+3
Gas Oil	$170-171	
Heavy Fuel Oil	$88-90	
Naphtha	$197-200	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$423.25	+5½
Silver (per troy oz)♣	537c	+8
Platinum (per troy oz)	$513.25	+3.25
Palladium (per troy oz)	$136.00	+0.55
Aluminium (free market)	$1435	+15
Copper (US Producer)	102⅝-104c	
Lead (US Producer)	40.5c	
Nickel (free market)	310c	+10
Tin (Kuala Lumpur market)	16.68r	
Tin (New York)	286c	-1
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	110.28p	-0.98*
Sheep (dead weight)†	207.66p	+1.65*
Pigs (live weight)†	90.03p	+2.80*
London daily sugar (raw)	$356.6x	-2.0
London daily sugar (white)	$431x	+1
Tate and Lyle export price	£325.5	-2.5
Barley (English feed)	£113.75	-0.75
Maize (US No. 3 yellow)	£128.0	-0.5
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	Unq	
Rubber (Mar)♥	56.00p	-0.50
Rubber (Apr)♥	57.00p	-0.50
Rubber (KL RSS No 1 Mar)	231m	
Coconut oil (Philippines)§	$417.5x	-2.5
Palm Oil (Malaysian)§	$275	+5
Copra (Philippines)§	$270	
Soyabeans (US)	£158.5	-0.5
Cotton "A" Index	75.70c	+0.10
Wooltops (64s Super)	566p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	619	622	623 618
May	630	633	634 629
Jul	643	646	646 642
Sep	661	662	663 659
Dec	684	687	687 683
Mar	705	707	706 703
May	718	720	721 717

Turnover: 5732 (6210) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 5 757.45 (752.88) 10 day average for Feb 6 760.52 (757.90)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	586	584	575 585
May	577	588	583 577
Jul	598	599	597 592
Sep	609	613	611 606
Nov	623	629	629 620
Jan	641	646	643 640
Mar	659		660

Turnover: 2196 (3518) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 2: Comp. daily 62.97 (62.72). 15 day average 62.07 (62.00)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	326.00	326.60	328.80 325.00
May	328.00	328.80	328.20 325.00
Aug	326.20	324.40	326.60 322.40
Oct	316.40	315.40	317.00 313.60
Dec	314.00	312.00	310.00
Mar	294.60	293.00	295.00 290.60
White	**Close**	**Previous**	**High/Low**
Mar	431.0	429.0	433.0 428.0
May	428.5	426.7	430.5 426.4
Aug	431.5	429.0	430.5 428.5
Oct	395.0		395.0 393.0

Turnover: Raw 2246 (2583) lots of 50 tonnes. White 1282 (972)
Paris- White (FFr per tonne): Mar 2439, May 2435, Aug 2464, Oct 2269, Dec 2125, Mar 2120.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Mar	19.87	20.13	20.20 19.87
Apr	19.35	19.61	19.67 19.35
May	19.10	19.29	19.25 19.10
Jun	18.85	19.10	18.85
Jul	18.60		18.60
Aug	18.35		18.35
IPE Index	20.01	19.90	

Turnover: 6816 (5682)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Feb	167.00	171.25	171.50 167.00
Mar	163.75	168.25	168.50 163.75
Apr	160.00	165.00	165.25 160.00
May	159.50	162.00	162.75 159.50
Jun	159.50	161.50	162.00 159.50
Jul	163.00	162.50	163.00 160.00
Oct	167.00		167.00

Turnover 5844 (6173)lots of 100 tonnes

TEA

THERE WERE 29,006 packages on offer this week including 6,760 offshore, reports the Tea Brokers' Association. Coloury medium Assam CTC's were 5-10p easier. Plainest lines were again neglected. Best liquoring and good medium East Africans were firm while the remainder sold quite readily. Dust grades were a weak feature throughout. Central Africans lost 4-8p. Ceylons met restricted enquiry and were mainly 10p lower where sold. Offshore teas, both CIF and FOB met improved demand but prices were generally 4-8p easier. Quotations: quality 200p nominal (220p), medium 143p (150p), low medium 100p (108p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,325 tonne
Cash	1425-8	1443-6	1435/1434	1433-4		
3 months	1442-3	1456-8	1468/1440	1450-1	1443-4	34,228 lots
Copper, Grade A (£ per tonne)						Ring turnover 26,300 tonne
Cash	1329-31	1364-5	1340/1339	1338-9		
3 months	1339-40	1369-70	1353/1338	1347-8	1338-40	62,627 lots
Lead (£ per tonne)						Ring turnover 7,975 tonne
Cash	423.5-4.8	429-31	426/425	425.5-6.0		
3 months	414-4.8	420-1	418/414	416-8	414-4.5	9,665 lots
Nickel ($ per tonne)						Ring turnover 1,668 tonne
Cash	6380-400	6600-25	6700/6650	6625-50		
3 months	6300-25	6420-30	6490/6325	6475-80	6325-60	6,615 lots
Tin ($ per tonne)						Ring turnover 445 tonne
Cash	6180-210	6240-50	6220	6210-20		
3 months	6300-20	6365-70	6360/6320	6330-40	6340-60	5,316 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,150 tonne
Cash	1332-7	1354-8	1340	1340-1		
3 months	1322-4	1336-8	1333/1320	1325-8	1320-5	16,596 lots
Zinc ($ per tonne)						Ring turnover 500 tonne
Cash	1340-5	1350-5		1345-7		
March 30	1320-30	1330-5		1320-30		1,081 lots

LME Closing £/$ rate:
SPOT: 1.6950 3 months: 1.6647 6 months: 1.6404 9 months: 1.6175

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	143.0	144.0	142.0
Apr	204.5	205.0	205.0 203.0
May	226.5	227.5	225.0 224.5

Turnover 146 (182) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	125.00		125.00
Apr	129.00	130.50	131.00 129.00

Turnover 178 (115) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Feb	1565	1579	1570 1560
Mar	1588	1608	[illegible] 1589
Apr	1605	1610	1605 1597
Jul	1370	1373	1370 1366
BFI	1619	1638	

Turnover 433 (282)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Mar	114.70	115.20	115.35 114.80
May	118.70	119.30	119.50 118.70
Jun	120.70	121.20	120.80
Sep	106.20	106.35	106.20
Nov	109.15	109.30	
Barley	**Close**	**Previous**	**High/Low**
Mar	108.30	109.05	109.05 108.30
May	110.85	111.75	111.75 110.85

Turnover: Wheat 98 (135), Barley 91 (82).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	110.6	110.0	109.0
Apr	115.0	114.5	114.0
Jun	115.0	115.0	114.5

Turnover 15 (42) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	423-423½	249¼-249¾
Opening	418¼-418¾	247-247½
Morning fix	418.75	247.806
Afternoon fix	423.00	250.118
Day's high	424¼-424¾	
Day's low	418¼-418¾	

Coins	$ price	£ equivalent
Mapleleaf	433-438	255½-258½
Britannia	433-438	255½-258½
US Eagle	433-438	255½-258½
Angel	433-438	255½-258½
Krugerrand	423-426	249½-251½
New Sov.	99½-100½	58-59
Old Sov.	98½-100½	58-59
Noble Plat	519.40-527.60	306.80-311.45

Silver fix	p/fine oz	US cts equiv
Spot	314.65	532.60
3 months	326.35	543.85
6 months	338.00	[illegible]
12 months	361.20	578.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	52	70	14	25
1450	24	46	34	46
1500	11	24	65	79
Copper (Grade A)	**Calls**		**Puts**	
2200	86	102	30	75
2250	55	78	52	100
2300	35	59	80	130
Coffee	**Mar**	**May**	**Mar**	**May**
550	19	43	4	16
600	1	18	36	41
650		6		79
Cocoa	**Mar**	**May**	**Mar**	**May**
550	69			
600	23	48	4	18
650	2	23	33	43
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1950		67		49
2000	13	38	2	
2050	4	20	8	

US MARKETS

A WEAKER US dollar combined with the effects of events in the USSR and South Africa to push gold futures higher, reports Drexel Burnham Lambert. Gains were extended as the market penetrated overhead resistance. Silver continued to steady as traders bought futures to cover short option positions ahead of expiration. Platinum followed gold, but overhead resistance held the advance. Copper fell with mainly local activity in a market devoid of serious buying. Expectations of bearish A.P.I.S coupled with forecasts of mild weather in the US drove energy product futures prices lower in an action which also depressed crude oil futures.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	422.4	418.2	425.0	419.3
Mar	424.6	420.4	426.0	424.8
Apr	427.5	423.4	430.3	424.6
Jun	433.3	429.1	436.0	430.2
Aug	438.6	434.3	440.8	439.2
Oct	444.2	439.8	0	0
Dec	449.7	445.3	451.5	449.3
Feb	455.5	451.0	457.5	457.0
Apr	460.9	456.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	512.0	508.8	0	0
Apr	519.0	515.8	522.5	516.0
Jul	525.0	521.8	528.0	524.2
Oct	531.0	528.2	532.5	531.5
Jan	537.5	534.6	0	0
Apr	545.0	542.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	532.9	530.7	533.5	533.5
Mar	535.8	533.6	540.5	534.0
Apr	540.0	538.0	0	0
May	544.3	542.2	549.0	543.0
Jul	552.7	550.4	557.5	552.0
Sep	561.5	559.1	565.0	562.5
Dec	573.4	571.0	578.0	573.0
Jan	576.9	574.5	0	0
Mar	585.6	583.2	590.0	584.0
May	593.7	591.3	597.5	597.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	99.60	101.05	99.90	99.50
Mar	98.70	100.05	99.85	98.60
Apr	98.20	99.35	99.20	98.30
May	97.60	98.55	98.30	97.60
Jun	97.00	98.00	0	0
Jul	96.60	97.50	97.30	96.60
Aug	96.00	96.95	0	0
Sep	95.50	96.50	96.00	95.30
Oct	95.10	95.85	0	0
Nov	94.70	95.40	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 5	Feb 2	mnth ago	yr ago
1777.8	1783.6	1821.4	1968.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 2	Feb 1	mnth ago	yr ago
Spot	128.29	127.86	128.86	136.64
Futures	129.60	129.47	130.50	138.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5670	5826	5825	5660
Apr	5545	5681	5690	5535
May	5410	5536	5540	5405
Jun	5305	5423	5435	5290
Jul	5300	5409	5420	5300
Aug	5420	5485	5485	5420
Oct	5600	5615	5600	5600
Dec	5750	5745	5750	5760

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	22.64	23.02	23.08	22.58
Apr	21.99	22.31	22.38	21.83
May	21.56	21.94	22.00	21.51
Jun	21.22	21.60	21.63	21.18
Aug	20.80	20.96	20.98	20.70
Sep	20.55	20.75	20.56	20.55
Oct	20.40	20.56	20.58	20.38
Nov	20.20	20.49	20.50	20.20
Dec	20.02	20.42	20.40	20.02

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	190.65	197.00	196.00	190.25
May	189.50	194.50	193.10	189.50
Jul	187.20	192.20	191.55	187.20
Sep	181.00	186.00	185.25	181.50
Nov	177.60	182.25	181.00	177.60
Jan	174.75	179.50	177.00	177.00
Mar	174.75	178.90	0	0
May	174.75	178.90	0	0
Jul	174.75	178.90	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	974	962	979	962
May	975	962	978	960
Jul	987	971	990	975
Sep	1006	992	1010	994
Dec	1028	1012	1032	1015
Mar	1045	1034	1044	1034
May	1057	1046	0	0
Jul	1071	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	80.04	80.38	80.75	79.60
May	81.77	82.17	82.45	81.50
Jul	83.45	84.00	84.20	83.30
Sep	85.25	85.70	85.80	85.00
Dec	87.50	88.00	88.25	87.50
Mar	89.73	90.13	0	0
May	91.63	91.75	92.00	92.00
Jul	91.25	93.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.88	14.81	14.91	14.70
May	14.82	14.74	14.87	14.68
Jul	14.68	14.59	14.70	14.53
Oct	14.26	14.16	14.28	14.15
Mar	13.54	13.46	13.52	13.48
May	13.46	13.39	0	0
Jul	13.39	13.34	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	67.64	67.11	67.79	67.30
May	68.88	68.25	68.98	68.50
Jul	69.02	68.50	69.19	68.70
Oct	66.55	66.23	66.60	66.40
Dec	65.35	65.18	65.60	65.15
Mar	66.10	65.93	65.95	65.95
May	66.90	66.63	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	558/2	560/2	563/2	558/0
May	571/2	572/4	575/6	570/6
Jul	583/2	584/0	587/2	583/0
Aug	586/6	587/6	590/4	585/4
Sep	585/0	586/4	589/2	585/0
Nov	590/4	591/6	[illegible]	590/6
Jan	600/0	601/4	603/0	600/0
Mar	612/0	612/0	612/0	612/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.13	19.28	19.39	19.10
May	19.47	19.63	19.71	19.44
Jul	19.69	19.87	19.94	19.68
Aug	19.73	19.90	19.95	19.73
Sep	19.75	19.92	19.94	19.74
Oct	19.70	19.92	19.95	19.70
Dec	19.81	20.02	20.06	19.81
Jan	19.81	20.00	19.80	19.81

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	166.2	166.4	167.0	165.7
May	169.8	169.9	170.8	169.3
Jul	173.1	173.0	174.2	172.3
Aug	174.8	174.7	175.8	174.2
Sep	176.4	176.2	177.5	175.8
Oct	177.5	177.7	178.8	177.0
Dec	180.7	180.6	181.5	179.8
Jan	181.7	182.0	181.5	182.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	236/4	236/6	237/2	236/2
May	241/4	242/2	242/4	241/2
Jul	245/4	246/4	246/4	245/2
Sep	242/4	243/4	244/2	242/2
Dec	240/0	241/2	241/4	239/6
Mar	246/4	247/4	247/4	246/0
May	250/0	251/0	251/2	249/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	383/4	379/0	384/0	380/0
May	369/2	367/6	369/4	367/6
Jul	348/6	349/4	350/4	347/4
Sep	354/6	356/6	357/4	354/4
Dec	365/6	367/6	368/4	365/2
Mar	372/0	373/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.55	79.57	79.90	79.45
Apr	77.02	76.47	77.30	76.52
Jun	72.72	72.40	72.87	72.42
Aug	71.52	71.12	71.65	71.15
Oct	72.57	71.87	72.75	72.07
Dec	73.25	72.65	73.30	72.90
Feb	73.25	72.80	73.25	73.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.02	48.42	49.25	48.70
Apr	47.02	46.55	47.30	46.75
Jun	51.85	51.82	52.47	51.80
Jul	51.95	51.92	52.42	51.85
Aug	50.35	50.32	50.90	50.35
Oct	45.82	45.72	46.00	45.65
Dec	46.05	46.15	46.40	46.05
Feb	46.60	46.60	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.52	49.00	51.00	49.00
Mar	51.00	49.77	51.75	49.50
May	52.30	51.22	53.10	50.92
Jul	52.77	51.57	53.50	51.50
Aug	50.70	49.60	51.50	50.00
Feb	54.75	53.50	55.50	54.60
Mar	54.50	53.50	55.50	0

LONDON STOCK EXCHANGE

Properties feature in a dull market

A LONDON stock market lacking a decisive lead on the domestic front turned nervously easier yesterday as the big institutional funds assessed the implications for the US dollar of this week's auctions of Federal securities. *Except for a batch of special situations,* interest in UK equities was light and sentiment at the close was not helped by a slow *start to the new Wall Street* session.

Market indices moved erratically, but always on the downside. The unwillingness of *institutions to show their* hands was indicated by the lack of response to a rights issue and then to a bid, both in the property sector.

Account Dealing Dates		
*First Dealings:		
Jan 29	Feb 12	Feb 26
Option Declarations:		
Feb 8	Feb 22	Mar 8
Last Dealings:		
Feb 9	Feb 23	Mar 9
Account Day:		
Feb 19	Mar 5	Mar 19

*New time dealings may take place from 8.00 am two business days earlier

There was some *selling* of bank shares at first on renewed speculation that they may face unfavourable UK tax treatment of third world loan provisions, although analysts could see no new evidence.

The Footsie Index opened lower and sagged to a 10 point fall at mid-session, before staging an unsuccessful rally in the *face of* Wall Street's modest 7.21 gain in early deals. The final reading showed the FT-SE Index at 2,348.4 for a net fall of 6.7. Traders commented that the Index performance meant little and pointed instead to the meagre Seaq volume total of 377.8m shares, against 487.4m on Friday.

Developments in property shares bore witness to the depression hanging over the sector. A £125m rights issue call from Rosehaugh, which is heavily involved in London retail and office property development, was at a heavy discount to the market price of the shares and is not underwritten; the shares fell sharply and the reverberations sounded throughout the property development sector. "It looks rather like a move of last resort for a big asset-driven company," said *Mr Nigel Little* of Panmure Gordon, the London broking house.

In contrast shares in Laing Properties jumped strongly on the £441m *bid from Chelsfield,* a private company, in consort with P & O, which was promptly rejected, although it was pitched at a substantial premium to the market price.

Bid speculation remained high in the financial sector, despite firm denials from two French banks of any interest in Royal Bank of Scotland. *Among UK merchant banks,* Hambros advanced after Baltica of Denmark increased its stake in the British bank to 14.03 per cent.

There was little response to final data on UK December retail sales, showing a 1.9 per cent gain, or to a 3.7 per cent increase in domestic consumer credit for the month. Facing a relatively blank week in both the economic and corporate reporting calendars, London is concentrating on prospects for the US Federal bond auctions which open today and are expected to show the attitudes of Japanese investors.

Cash call surprises properties

ROSEHAUGH, the UK property developer, fell 95 to 370p after it surprised the market with a deeply discounted £125m one-for-one rights issue. The company said its objective was to "maximise the value of the group's assets over the longer term." Analysts' reaction varied, though many were critical.

"Badly thought out and not enough," said one. "It's a holding tactic *before they have to* make a further move, probably in six months time, which may include a further rights issue," commented another.

There seemed to be little doubt that Rosehaugh would raise the cash from its shareholders. Of greater concern, though, was the possibility *that the rights issue may have* brought a bid closer. JMB Realty of Chicago has a 5 per cent stake, and Olympia & York was also mentioned yesterday.

Rosehaugh's *move rippled* through the rest of the property sector. Priest Marians dropped 35 to 223p, with dealers reckoning that JMB Realty *may dispose of its* 30 per cent stake and turn its attention to Rosehaugh. Greycoat, which took part in the development with Rosehaugh of Finsbury Avenue in London, was marked 9 lower at 425p.

... and a bid

The property sector recovered from Rosehaugh's rights issue, however, after news of the hostile 650p per ordinary share bid for Laing Properties by Chelsfield, a privately owned property company, and P & O. Chelsfield had already signalled its intention in January to bid for Laing, though the market was surprised by the presence of P & O. It had been expected that a foreign bidder would be brought on board to give Chelsfield the financial clout necessary for the bid.

Laing's shares jumped 71 *before the announcement as a* block of 3.3m shares changed hands at 650p. Laing advanced further during the afternoon on hopes that Chelsfield and *P & O could be forced to pay* more for Laing. Chelsfield is estimated to have raised its stake yesterday in Laing to just over 20 per cent from 14.

"This is a fair opening shot," said Mr Graham Stanley of County NatWest. But he said that as around 44 per cent of Laing's equity were held by family trusts and directors, the bid would have to be raised to at least £7 if it were to succeed. "The family will not be in any hurry to sell," he said. Laing finished the day up 89 at 653p, while P & O closed 14 off at 606p.

Hambros active

Hambros spearheaded a general advance by a merchant banking *sector which has suf*fered badly recently from profit-taking. Dealers said Hambros shares were given a twin boost, first by news that the bank is advising Chelsfield, the privately-owned property group, in its joint bid for Laing Properties.

Secondly, late in the session it was announced that Baltica, the Danish financial services group, had increased its stake *in Hambros from* a *last-an*nounced figure of 12.29 per cent to 14.03 per cent. The news triggered speculation that Baltica *intends eventually to launch a full bid for the* merchant bank. Hambros shares moved up to a year's best of 308p after the news but later eased to close a net 11 *higher at 300p.*

Dealers and analysts acknowledged the news regarding the Laing bid. "Corporate fees are extremely good news *in these markets," said one* trader, but merchant bank analysts said they doubted that the Baltica stake would go much higher. One noted that Bank of England permission would be needed if the Baltica stake was to go above 15 per cent.

"I think the end of the Baltica buying in the market is in sight," he said, adding that Hambros "is surrounded by protective stakes, including Banco San Paolo di Torino, with 12.4 per cent, and the Banco Bilbao Vizcaya, with 8 per cent." Additionally, Guardian Royal Exchange holds an 8.7 per cent in Hambros.

Weekend press reports about the possible tax treatment of the clearing banks' provisions against third world debt caused some initial small selling of bank shares in the market, but falls were generally reduced to minimal levels by *the close.*

The impact in the big four was felt mostly by Lloyds, which has already increased its level of provisions to some 72 per cent. Dealers said more pessimistic observers of the banks thought Lloyds could have to make a rights issue of £500m-plus if the tax treatment is harsh. Lloyds lost 6 to 300p after turnover of 5.5m shares.

The other banks attracted only modest turnover. Midland, also worried by the prospect of additional provisions and the possibility of a rights issue, were 6 down at 376p on *turnover only 1.2m. There have* also been hints recently that Hongkong & Shanghai Banking may be about to increase its holding beyond the 14.9 per cent mark.

Royal Bank of Scotland initially hardened to 216p after weekend reports of potential bidders for the bank, but eased later after agency reports that French banks Banque Nationale de Paris and Paribas had denied bid intentions towards Royal Bank. By the close, Royal Bank shares were 4 off at 210p, on much reduced turnover of only 1.7m.

Kleinwort Benson added 4 at 419p amid renewed takeover speculation while SG Warburg added 11 at 505p.

The political situation in South Africa *following Mr De* Klerk's speech on Friday and the strong price of gold continued to buoy Lonrho, which rose 6 to 294p. Lonrho is regarded as more exposed to South Africa than any other UK stock, and the recent merger of Western Platinum with Karee increased its exposure.

The company has underperformed the market recently, after going ex-dividend and announcing gloomily received annual results. Panmure Gordon gave this as the reason for the share price's vigorous response to political developments, and bought the shares. Recent bullish notes from Kitcat & Aitken and Warburg Securities also helped to revive sentiment, as the Karee deal, which increased the company's exposure to precious metals and to South Africa, is now *regarded positively.*

Another stock helped by the rise in the gold price was Hanson, 3½ firmer at 229½p. Mr Geoff Allum of County NatWest, pointed out that an increase of one dollar in the gold price, maintained for a year, would add £1.25m to Hanson's pre-tax profit.

The pharmaceutical sector had a quiet day. SmithKline Beecham was marked up at the opening following the announcement at the end of last week that the rival heart drug Dyazide was being withdrawn in the US, leaving SmithKline Beecham with a monopoly, but the "A" shares fell back to close 1¼ off for the day at 547p, although the company's unit shares remained *firmer for the day.*

ICI firmed against the trend, closing 4 higher at 1087p. Dealers reported very thin trade, but a recent buy recommenda*tion from Robert Fleming may* have helped sentiment. Mr Andrew Benson, of Fleming, suggested that a 30 per cent rise in the price of agricultural fertilisers in January should buoy ICI, which is the second most sensitive company to fertiliser prices in Europe. At present, ICI's agricultural business accounts for almost 20 per cent of its sales, but only 8 per cent of trading profits.

A recent buy recommendation from Kleinwort Benson helped BTR firm 2 to 444p as 2.2m shares were traded. Explaining the recommendation, *Mr Matthew Sutherland* at Kleinwort Benson said: "The BTR management has proved its ability to successfully manage the group through recessions. For example in 1982, which was the last difficult year, the company had a 19 per cent growth in earnings. We have every confidence earnings per share will grow well above average in 1990."

GKN gave up 8 to 415p on turnover of 1.1m as worries about a downturn in US car *production began to surface in* the London market. The company supplies components to a number of US car manufacturers. GKN was also affected by press speculation that Westland, in which it has a 23 per cent stake, was resisting moves by the Ministry of Defence to remove it from the position as the lead contractor on the £2bn EH 101 helicopter project. Westland shares shed 2 to 128p.

British *Steel* moved against the trend, adding 2 to 135p, although turnover at 1.9m shares was low by British Steel's usual levels. Mr Pete *Deighton at County Natwest,* which yesterday issued a buy note *on* British Steel, said: "British Steel offers one of the best yields in the market."

A report that *Amstrad,* the troubled electronics group, has made big strides in reducing its debt burden, as well as cutting stock levels, sparked some *aggressive buying of Amstrad* shares and prompted stories of imminent profits upgradings by electronics analysts. Some 22m Amstrad shares changed hands as the stock ended the session a net 6 higher at 54p.

The Racal twins were marginally easier as the UBS Phillips & Drew whirlwind European roadshow got underway. Electronics settled 4 off at 222p and Telecom 6 lower at 367p.

Ferranti edged up 2 to 39p on 7.7m, after the developments at the egm.

BPB were a couple of pence ahead at 232p as the *market* picked up hints that the group has appointed a leading merchant bank to advise on prospects for a sell-off of its periph*eral businesses.*

Shares in Charter Consolidated followed those of other mining companies upwards on the likelihood of improved trading prospects in South Africa. Charter Consolidated shares added 4 to 473p. An analyst, however, pointed out that less than 1 per cent of Charter's turnover actually comes from South Africa.

Doubts about the sale of Cellnet, one of the UK's two cellular radio networks, caused Securicor "A" shares to weaken. The shares gave up 20 to close at 811p. Securicor/Security Services have a 40 per cent stake in Cellnet. The company is due to announce preliminary figures today.

BOC closed up 2 at 527p having touched 529p earlier in the day on favourable sentiment *ahead of Thursday's first-quar*ter results. BZW is predicting profits of £82m up from last year's restated figure of £76.5m.

Mainmet, the USM-quoted supplier of metering equipment and controls, whose listing was suspended a few weeks ago at 60p resumed trading at 10p. Over the weekend Danish cleaning group ISS, the company's biggest supplier and largest trade creditor, agreed to rescue Mainmet with a bid of 10p per share.

Brent Walker, still stimulated by the recent profits upgrading pencilled in by a UK securities house, drew sustained support and settled at the day's best of 367p, up 10. Euro Disney, up 25 last Friday, rose 40 more to 1113p, on strong support said to have emanated from US securities house based in London.

Next advanced a penny to 99p following news of its $12.5m acquisition of TCS Management of the US.

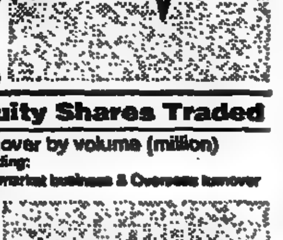
Tate & Lyle gained 5 to 319 in busy trading on further speculation that ADM, the US corn syprup manufacturer, had been buying in the market. If the speculation was correct, ADM would now be close to holding a 5 per cent stake, said dealers.

Lucas were once again a weak market, the shares falling 9 to 617p as Kleinwort Benson became the latest securities house to downgrade profit expectations. Cazenove, the company's brokers, was reported to have cut its forecast last Friday.

Kleinwort now expects 1990 profits of £197m, instead of £205m, and £215m for the following year, down from £235m. Kleinwort Benson blamed the "on going weakness in the *automotive division due to con*tinued weakness in the after market" for the cut in expectations. The shares also suffered from fears that the company was likely to be the next target for strike action by engineering trade unions in support of their demands for a shorter working week.

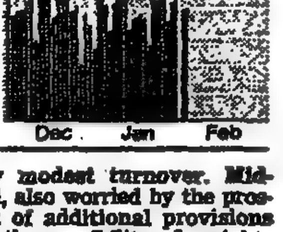
■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 26

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Feb 5	Feb 2	Feb 1	Jan 31	Jan 30	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.02	81.51	81.56	81.55	81.64	89.00	89.29 (8/2/89)	81.02 (5/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.93	91.03	91.08	91.06	90.92	97.89	99.59 (15/3/89)	90.85 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1861.0	1868.4	1868.0	1864.0	1853.0	1669.2	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	370.4	352.0	349.3	358.0	364.5	165.3	371.5 (25/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2348.4	2355.1	2345.8	2337.3	2322.0	2044.3	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.63	4.61	4.60	4.60	4.62	4.38				
Earning Yld %(full)	11.17	11.13	11.13	11.13	11.23	10.99				
P/E Ratio(Net)(☆)	10.83	10.87	10.87	10.87	10.77	11.05				
SEAQ Bargains(5pm)	29,088	26,383	27,442	26,711	25,903	40,423				
Equity Turnover(£m)†	-	855.75	931.90	1127.77	787.35	1051.03				
Equity Bargains†	-	25,883	27,961	26,593	28,504	46,400				
Shares Traded (ml)†	-	399.4	398.3	494.8	415.6	454.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.78

Ordinary Share Index, Hourly changes — Day's High 1865.6 — Day's Low 1857.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1864.0	1862.1	1865.5	1863.3	1861.8	1860.5	1859.1	1861.6

FT-SE, Hourly changes — Day's High 2353.7 — Day's Low 2344.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2350.0	2347.7	2353.0	2350.1	2347.6	2347.9	2345.6	2349.2

GILT EDGED ACTIVITY

Indices*	Feb 2	Feb 1
Gilt Edged Bargains	78.8	82.9
5—Day average	88.2	90.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	363	187	-2	Comm. Union	592	512	-2	Lloyds Bank	5,500	300	-6	Sedgwick	298	280	-3
ASDA Group	3,200	111½	+½	Cookson	138	256		LASMO	945	625	-12	Shell Transport	1,700	482	-5
Abbey National	1,500	180		Courtaulds	442	385	+2	Lonrho	5,200	294	+6	Siebe	384	440	-2
Allied-Lyons	1,000	491	-6	Dalgety	185	[illegible]		Lucas	652	617	-9	Slough Ests	254	310	-2
Amstrad	22,000	54	+6	Dowty	179	[illegible]		MB Group	1,200	216	-1	Smith (W.H.) A	1,400	328	+3
Argyll Group	1,100	213	-1	Eng. China Clays	166	435	+2	MEPC	275	509	+2	Smith & Nephew	2,700	120½	-1½
Ass. Brit. Foods	8	400		Enterprise Oil	734	674	-2	Marks & Spencer	2,700	207		SmKl Beecham	800	547	-2½
BAA	943	[illegible]	-2	FKI	271	[illegible]		Maxwell Comm.	280	210	-2	SmKl Beecham Units	32	2506	+10
BAT Inds.	805	[illegible]	-5	Ferranti	7,700	39	+2	Mecca Leisure	457	151		Smiths Inds.	280	252	+3
BET	1,000	251		Fisons	655	[illegible]		Midland Bank	1,200	376	-6	Standard Chard.	202	[illegible]	-6
[illegible]				[illegible]				[illegible]				[illegible]			

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (48).
BANKS (3) CHEMICALS (2) FOODS (3) INDUSTRIALS (4) Bowater 7.75pc Cv. Pf., CRT Group, RCO, Robertson Group, INSURANCE (1) LEISURE (2) MOTORS (1) PROPERTY (2) SOUTH AFRICANS (7) TRANSPORT (1) TRUSTS (4) OILS (4) MINES (13) WATER (1).
NEW LOWS (71).
BRITISH FUNDS (14) INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) FOREIGN BONDS (2) AMERICANS (3) CANADIANS (2) BANKS (3) BUILDINGS (1) STORES (3) ELECTRICALS (2) ENGINEERING (2) FOODS (1) INDUSTRIALS (6) Benson Group, Bridport-Gundry, Chesterfield Group, Creste, Forwell, Optical & Medical Int'l., INSURANCE (1) LEISURE (3) NEWSPAPERS (1) PAPERS (1) PROPERTY (8) SHOES (2) TEXTILES (2) TRANSPORT (1) TRUSTS (2) OILS (1) MINES (1).

APPOINTMENTS

Chairman of Shell U.K.

Mr John A. Collins is to succeed Mr Bob Reid as chairman and chief executive of SHELL U.K. from October 1. Mr Collins, a director of Shell International Petroleum Co in London, will join the board of Shell U.K. from *April 1* and will transfer on a full-time basis on June 25. He is currently supply and marketing co-ordinator for Shell International. *Mr Collins* joined Shell in 1964, and has held senior posts in Nigeria and Colombia as well as the UK. Mr Reid, who became chairman and chief executive of Shell U.K. in April 1985, was appointed chairman designate of British Rail on January 1, and will become non-executive chairman on April 1. He will continue as chairman and chief *executive of Shell U.K. until* the end of September, when he retires from the group.

■ Mr Alan Mellor has rejoined STERLING RONCRAFT as *managing director,* with additional responsibilities for European development. He was chief executive at Hickson Surface Coatings.

■ TOLLEY & BAGWELL, *Lloyd's insurance brokers,* has appointed Mr Allen Crook as director responsible for UK business, and Mr Dennis Bull as director, international and reinsurance *account.*

■ ALTRO GROUP has promoted three senior managers to divisional directors. They are Mr Ed Boyle, Mr Ray Norwich and Mr John Owen.

■ WHITEFRIARS has appointed Mr Robin Hendy as managing director. He was a director of ANZ McCaughan and an executive director of County NatWest.

■ INDEX GROUP has recruited Mr Don Lonsdale, formerly divisional director *of information systems for* Barclays Bank, as director of multi-client services.

■ Mr Michael Brown, who was chief executive of the London Metal Exchange, will be joining ENTORES (METAL BROKERS) as an adviser on March 1.

■ Mr Roger Howson has joined the board of HERON CORPORATION and become chief executive of both Heron Property Corp, and of the European property division. He succeeds Mr Tony Royle who is retiring as chairman of Heron Property Corp, but remains a non-executive director of Heron International. Mr Howson was joint chief executive of *Rosehaugh.*

■ Mr Peter Veen has been appointed a director of GALLAHER TOBACCO. He continues as chief executive of subsidiary Koninklijke Theodorus Niemeyer.

■ Mr Ron Jennings has joined NORTHFIELD PROPERTY INVESTMENTS, Manchester, as chairman. He recently *retired as deputy chairman* of P&O Property Holdings and will remain on the board as a non-executive director.

Ms *Janet Brady (above)* has been appointed non-executive chairman of SPECIALTOURS, combining it with her post as managing director of Cadogan Management.

■ Mr Geoff Tipping has been appointed an assistant director, retail warehousing and industrial development, at LONDON & EDINBURGH TRUST.

■ Mr Alan Trotter has been appointed managing director of CARSON OFFICE FURNITURE, a subsidiary of Acco Europe. He was sales and marketing director.

■ Mr Alan Burgess has been appointed sales and marketing director at HEDLEY TAYLOR. He was operations director.

Chairman of Housing Corp

■ Sir Christopher Benson, chairman of MEPC, and chairman-designate of Boots, has been appointed chairman of the HOUSING CORPORATION from May 1, joining the board immediately.

■ *EAST MIDLANDS* ELECTRICITY has appointed Mr Peter Murray as operations director, appliance retailing.

Mr Edward Pickard *(above)* has been appointed finance director of INVERGORDON DISTILLERS GROUP from March 1, succeeding Mr Ken Findell who is to retire. Mr Pickard is group finance *manager of John Menzies.*

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	283	–4	44c	1.4	7.5	9.5
191	134	Abbey National 10p	190	.....	L7.7	2.7	5.4	7.8
*282	120½	Allied Irish Ord.	268	–5	ΦQ68%	3.3	3.1	13.4
£13½	£11½	Algemene Fl.10	£12⅝	.....	Q28%	2.0	7.2	6.9
*80	61	Anglo Irish	73	.....	Q18.7%	2.7	6.0	10.0
81	57	Ansbacher (H.) 1p.	75	.....	2.0	–	3.6	–
£72¼	£38¼	Bancaire Cie Fr100.	£60¾	.....	ΦQ12½%	–	2.2	–
£46½	£35½	Banco Bilbao Viz.	£39¼	+¼	Q35.7%	2.0	3.4	14.6
£33	£26½	Banco de Santander	£27½	.....	Q21%	♦	3.0	♦
*286	169	Bank Ireland Ir£1	272	–2	[illegible]	3.2	4.3	9.3
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	345	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	118	–½	†3.8	3.6	4.3	8.5
111¼	95½	Do. 9¼pc Ird Pf	96½	–1	9¼%	–	12.8	–
*67	49	Bank of Wales	54	.....	2.8	1.6	6.9	11.3
*588	404	Barclays £1	582	–4	†23.0	3.5	5.3	6.6
31	19	Benchmark 20p	20	.....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	319	.....	†10.5	–	4.4	–
455	325	Cater Allen £1	414	–1	23.5	–	7.6	–
259	157	Chancery	174	.....	18.0	2.8	6.1	7.7
£23¼	£14½	Commerzbk DM10	£23¾	+1¼	Q18%	–	2.8	–
*£29	£22½	C'hgn.Hbk.Kr100	£26¼	–¼	ΦQ15%	–	5.3	–
£16¾	£10¾	Dai Ichi KBk Y50	£12¾	–½	†Q16%	8.8	0.3	41.2
*£314¼	£156¼	Deutsche Bk DM50.	£306¼	+8¼	Q24%	–	1.4	–
£22¼	£17½	Espirito Santo	£19¾	–½	Q75c	3.3	2.3	13.3
260	182	First Nat. Fin. 10p.	226	–2	13.0	♦	7.7	♦
134	90	FNFC 6.3pc CnRedPref	115	–1	6.3%	–	7.3	–
£16½	£13½	Fuji Bank Y50	£14½	–½	Q15.6%	4.2	0.2	–
325	230	Gerrard & National.	281	.....	18.5	–	8.8	–
154	118	Guinness Mahon 10p	154	.....	♦2.1	–	1.8	–
303	197	Hambros 20p.	300	+11	†10.0	–	4.4	–
121	90	Do. 7.5pc Cv Pf	121	+4	7½%	–	8.3	–
60	39	HK & Shang. HK$2.50	56	.....	HQ36c	–	5.2	–
495	423	Joseph (Leo) £1	478	.....	15.85	–	4.4	–
145	115	King & Shaxson 20p.	145	+2	9.25	–	8.5	–
422	277	Kleinwort Benson Grp.	419	+4	14.0	–	4.5	–
307½	213	Lloyds £1	300	–6	†h11.2	4.5	5.0	5.9
56	40	Lon. Scot. Bank 10p.	53xd	+1	2.4	♦	6.0	♦
406	287	Midland £1	376	–6	†h16.4	3.3	5.8	7.0
£15¼	£12	Mitsubishi Bank Y50.	£12	–½	†Q16%	8.1	0.3	44.1
£14¼	£11¼	Mitsubishi Tst & Bk Y50	£11¼	–¼	Q16%	8.2	0.3	40.2
934	802	Mitsui Tst & Bk Y50	816	+1	Q16%	7.1	0.4	34.2
552	257	Morgan Grenfell £1.	540	.....	♦†10.85	–	2.7	–
*362	269	Nat Aust. Bk. A$1	306	–4	sQ32c	1.5	5.0	13.3
365	255	NatWest £1	357	–2	†h14.12	4.4	5.3	5.6
£220	£160	Ottoman Bank	£205	.....	Q90%	–	4.4	–
83	46	Rea Bros. Group	48	.....	0.5	–	1.4	–
*240	155	Rothschild (J) Hldgs.	198	+3	†9.5	3.6	6.4	5.7
218	139	Royal Bk. Scotland	210	–4	7.2	3.8	4.6	7.4
822	699	Saitama Bank Y50	715	–18	†Q13%	4.7	0.4	55.8
*£13¼	£10½	Sanwa Bank Y50	£11	.....	†Q16%	8.3	0.3	39.5
1735	870	Schroders £1	1675	+20	19.5	–	1.6	–
1275	655	Do. £1 N/V	1258	+10	19.5	–	2.1	–
£33¼	£19¼	Sec. Pacific $10	£21¼	–½	Q$1.96	–	5.5	–
*612	449	Standard Chartd. £1	594	–8	33.9	2.9	7.6	5.1
£19¾	£13½	Sumitomo Bank Y50	£13½	–½	†Q16%	7.5	0.2	53.6
£13¾	£10¾	Sumitomo Tst & Bk Y50	£10¾	–½	†Q16%	8.1	0.3	39.5
147	97	TSB	144	–1	5.6	q2.6	5.5	9.4
234	140	TSB Ch'nel Is'l	173	.....	Q6.7	3.5	3.9	8.6
£11.8	£9¼	Tokai Bank Y50	[illegible]	.....	Q16%	4.1	0.3	72.2

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ‡ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‖ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p. γ	85	......
Craig & Rose £1.. γ	830	......
Finlay Pkg. 5p.... γ	58	......
Holt (Jos) 25p.... γ	1340	......

IRISH

Cp. 8½% Ln. 1991...	£96¾	......
9pc Cap Ln. 1996..	£95	−¼
Fin. 13% 97/02...	£113½	−¼
Arnotts..........	405	−5
Carrol (P.J.) ..... γ	160	+4
Hall (R. & H.)......	190	......
Heiton Hldgs...... γ	103	+3
IRG................	200	......
United Drug.........	162xd	+2

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	42
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met.	44
Guardian	39
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	31
Polly Peck	38
Racal Elect.	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	26½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HE 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American Opps	5	46.43	47.50	50.66	+0.44	1.06
(Accum Units)	5	47.78	48.88	52.13	+0.45	1.06
European Opps	5	71.21	71.51	76.26	+1.17	0.00
(Accum Units)	5	71.66	71.98	76.48	+1.17	0.00
Far Eastern Opps	5	138.07	138.15	147.33	-0.70	0.00
(Accum Units)	5	138.90	139.02	148.27	-0.71	0.00
Golden Opps	5	46.87	46.97xd	50.10	+0.50	0.00
(Accum Units)	5	48.00	48.32xd	51.53	+0.51	0.00
Intl Hi-Yield	5	57.57	57.95xd	61.80	-0.25	4.44
(Accum Units)	5	62.49	62.91xd	67.09	-0.28	4.44
Sanyo Japan Tst	5	73.20	73.38	78.26	-0.75	0.00
(Accum Units)	5	73.20	73.38	78.26	-0.75	0.00
Kangaroo	5	33.26	33.26	35.46	-0.01	1.48
(Accum Units)	5	33.45	33.45	35.67	-0.02	1.48
Oriental Income	5	34.17	34.26	36.51	-0.02	5.15
(Accum Units)	5	38.30	38.38	40.93	-0.03	5.15
Pacific Technology	5	57.67	57.67	61.51	-0.17	0.00
(Accum Units)	5	58.14	58.14	62.01	-0.17	0.00
Tiger	5	146.87	147.31	157.13	+0.16	0.72
(Accum Units)	5	149.16	149.61	159.58	+0.16	0.72
UK Hi-Yield	5	43.29	43.29	46.17	+0.14	4.94
(Accum Units)	5	49.50	49.50	52.79	+0.12	4.94
UK Opps	5	54.62	54.62	58.40	+0.42	1.95
(Accum Units)	5	59.25	59.25	63.33	+0.46	1.95

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	94.23	94.23	100.23	+0.08	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250
4 Hourly Pricing—12 Noon Historic

TR American Gwth	5¼	43.68	43.68	46.59	-0.36	0
TR Eur Sp Sits Acc	5¼	41.85	41.85	44.63	+0.44	0
TR Eur Sp Sits Inc	5¼	41.04	41.04	43.76	+0.42	0
TR General Growth	5¼	76.04	76.04xd	80.89	-0.38	2.74
TR Global Tech	5¼	68.72	68.72	73.30	-0.01	0
TR Income Growth	5¼	89.52	90.02xd	95.76	-0.15	4.35
[illegible]						

	Bid Price	Offer Price	+ or -	Yield Grs
J. Rothschild Fund Managers Ltd				
Intl Exempt	145.3	147.0	—	[illegible]
Stewart Ivory & Co Ltd				
Salers PPP Jan 21	264.6	278.6	—	
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Feb 1	102.42	108.42	—	[illegible]
(Accum Units)	103.04	109.08	—	[illegible]
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1097	1111	—	[illegible]
TR Exempt Nth Amer	[illegible]	[illegible]	—	[illegible]
TR Exempt Pac Basin	[illegible]	[illegible]	—	

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

AA Friendly Sy Jan 12		177.0	—	

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	301.4	317.3	—	
Equity Ser. 1	134.8	141.9	+0.4	
Prop. Acc. Ser 2	464.7	489.2	—	
Equity Ser 2	156.4	164.7	+0.4	
[illegible]				

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	105.9	111.5	-0.1	–
Managed Growth	141.5	149.0	+0.2	–
Managed Opportunity	145.5	153.2	+0.3	–
NFMC Target Financial	104.8	110.4	+1.0	–
Pension Funds				
Managed Cautionary	110.5	116.4	.....	–
Managed Growth	146.1	153.8	+0.4	–
Managed Opportunity	148.8	156.7	+0.4	–
NFMC Target Mngd Pen	1553.1	1634.9	+3.6	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	226.6	238.6	.....	–
Managed Prospect Fund	190.1	200.2	.....	–
Pens Managed	286.1	301.2	.....	–
Pens UK Equity	345.9	364.2	.....	–
Pens Overseas Equity	365.6	384.9	.....	–
Pens Property	173.7	182.9	.....	–
Pens Fixed Interest	177.6	187.0	.....	–
Pens Index Linked	147.5	156.3	.....	–
Pens Deposit	188.2	198.2	.....	–
Harvester & P.R.P.				
UK Equity	151.1	159.1	.....	–
Overseas Equity	130.8	137.7	.....	–
Fixed Interest	121.4	127.8	.....	–
Property	144.5	152.2	.....	–
Index Linked	133.9	141.0	.....	–
Deposit	130.9	137.4	.....	–
Managed	144.1	151.7	.....	–
With Profits	134.1	141.2	.....	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	345.9	364.2	-0.6	–
UK Equity	448.0	471.6	-0.7	–
Overseas Eq	352.3	370.9	+1.2	–
Americas	251.8	265.1	+0.1	–
Far East	404.3	425.6	-2.7	–
Property	220.5	232.2	-0.3	–
Fixed Int	219.2	230.8	-1.3	–
Indexed Gilt	138.9	146.3	-1.1	–
Deposit	159.0	167.4	+0.2	–
Pension Fund (Accum Units)				
Managed	466.1	490.7	-0.6	–
UK Equity	556.0	585.3	-0.5	–
Overseas Eq	568.8	598.8	+1.0	–
Americas	332.6	350.2	+0.2	–
Far East	673.0	708.5	-4.2	–
Property	271.1	285.4	-0.5	–
Fixed Int	262.9	276.8	-1.4	–
Indexed Gilt	152.4	160.5	-1.2	–
Deposit	212.8	224.0	+0.3	–
NPI Pensions Management Ltd				
Managed Fund	1096.4	1116.0	.....	–

Prices February 1 Next dealing March 1

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	66.1	69.5	-0.1	–
Stock Market Mngd Fund	64.9	68.3	.....	–
Equity Fund	69.3	73.0	.....	–
International Fund	61.6	64.9	.....	–
European Fund	71.5	75.2	+0.5	–
North American Fund	56.1	59.0	.....	–
Pacific Fund	70.3	74.1	-0.3	–
Property Fund	85.7	90.3	+0.1	–
Fixed Interest Fund	51.6	54.3	-0.4	–
Index linked Sec Fund	57.5	60.6	-0.6	–
Deposit Fund	60.8	64.0	+0.1	–
NUAM Retirement Plans				
Mixed Fund	71.3	75.1	.....	–
UK Ordinary Share Fd	80.0	84.2	+0.1	–
International Fund	65.8	69.3	+0.2	–
Property Fund	84.5	88.9	.....	–
Fixed Interest Fund	59.2	62.3	-0.4	–
Index Linked Sec Fund	60.1	63.3	-0.6	–
Deposit Fund	69.0	72.6	+0.1	–
NUAM (NF)				
Managed Fund	932.4	981.5	-0.8	–
Equity Fund	1903.7	2003.9	-0.7	–
International Fund	162.4	171.0	.....	–
Property Fund	541.6	570.2	+0.3	–
Fixed Interest Fund	385.8	406.2	-2.8	–
Index Linked Sec Fund	58.5	61.6	-0.6	–
Deposit Fund	249.3	262.5	+0.2	–

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	98.33	103.51	+0.09	–
Managed Fd	93.54	98.44	-0.11	–
UK Ord Share Fd	94.47	99.44	-0.05	–
International Fd	92.85	97.74	+0.03	–
European Fd	102.84	108.25	+0.76	–
North American Fd	85.74	90.25	+0.09	–
[illegible]				

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Property Initial		169.2	+0.1	–
Money Initial		78.3	.....	–
Special Market Initial		137.0	-0.3	–
Japan Equity Initial		117.1	-2.3	–
North American Initial		80.4	+0.5	–
Pacific Initial		82.2	-0.1	–
Technology Initial		107.5	+0.2	–
Nat Resources Initial		56.5	.....	–
European Initial		104.5	+0.7	–
Residential Prop Init		103.6	.....	–
Swiss Equities Initial		36.6	+0.6	–
Hong Kong Initial		44.0	+0.6	–
UK High Inc Eq Init		70.3	+0.3	–
Int Fixed Interest Init		49.9	-0.2	–
Int Managed Init		56.2	+0.1	–
HIP Managed Init		115.2	+0.1	–
Broker Funds				
High Performance	75.0	79.1	.....	–
Towerhill Mngd Fd Acc	54.0	56.9	+0.6	–
YRA Executive Fd	92.7	97.7	+0.2	–
£ Global Growth Acc	130.5	137.6	.....	–
£ High Income Money Acc	111.4	117.7	.....	–
IM Balanced		55.9	+0.1	–
H F. Speculator Fd		153.9	+0.7	–
PEP Acorn II		126.0	+0.3	–
PEP Cautionary		96.5	-0.1	–
AAFS Int Man Fund		123.0	+0.3	–
Andrews-Green Inv Port		105.2	.....	–
Individual Pension Funds				
UK Equity Acc	228.8	241.4	.....	–
UK Fixed Interest Acc	177.9	187.7	-0.3	–
Intl Equities Acc	243.6	257.0	+1.1	–
UK Managed Acc	185.4	195.5	+0.4	–
Property Acc	212.7	224.4	+0.2	–
Money Acc	134.7	142.1	+0.2	–
Special Market Acc	275.9	291.1	-0.7	–
Japan Equity Acc	244.1	257.5	-5.9	–
North American Acc	124.4	131.3	+0.8	–
Pacific Acc	199.7	210.7	-0.1	–
Technology Acc	182.7	192.8	+0.5	–
Natural Resources Acc	111.2	117.3	.....	–
European Acc	139.0	146.7	+1.4	–
Residential Prop Acc	113.6	119.9	.....	–
Swiss Equities Acc	37.8	39.9	+0.8	–
Hong Kong Acc	45.6	48.2	+0.9	–
UK High Inc Eqs Acc	78.1	82.4	+0.4	–
Int Fixed Interest Acc	52.9	55.9	-0.2	–
Int Managed Acc	59.6	62.8	+0.1	–
Group Pension Funds				
Equity Acc	825.7	851.3	-1.3	–
Fixed Interest Acc	526.2	542.5	.....	–
Managed Acc	133.7	136.3	.....	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund (Mixed)	1060.8	1113.8	-0.6	–
Equity Fund	245.5	257.8	-0.1	–
International Fd	166.0	174.3	+0.5	–
Fixed Interest Fd	152.5	160.1	-0.1	–
Property Fund	224.6	235.8	.....	–
Index-Linked Fund	144.9	152.1	-0.7	–
Deposit Fund	144.6	151.8	+0.1	–
Pens Mixed (Ord) Fd	253.6	266.3	.....	–
Gold Pensions				
Discretionary Fund		123.4	.....	–
Equity Fund		124.9	.....	–
Fixed Interest Fund		109.4	.....	–
International Fund		127.1	+0.6	–
Property Fund		136.7	.....	–
Index-Linked Fund		120.3	-0.4	–
Deposit Fund		120.5	+0.1	–
S & F Consolidation		111.8	+0.1	–
S & F Balanced		127.0	+0.5	–
S & F Maximum Growth		108.7	+0.3	–

Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	336.0	353.7	-0.7	–
Managed Init	264.8	278.7	-0.7	–
Equity Ord	478.4	503.6	-0.9	–
Equity Init	377.0	396.8	-0.9	–
Index Linked Gilt Ord	143.3	150.8	-1.3	–
Index Linked Gilt Init	118.0	124.2	-1.1	–
Overseas Equity Ord	304.5	320.5	.....	–
Overseas Equity Init	240.0	252.6	.....	–
Property Ord	218.2	229.7	+0.3	–
Property Init	172.0	181.1	+0.3	–
Fixed Interest Ord	174.0	183.2	-1.4	–
Fixed Interest Init	137.2	144.4	-1.2	–
Deposit Ord	152.0	160.0	+0.2	–
Deposit Init	119.8	126.1	+0.1	–
Pension Funds				
Managed Ord	418.4	440.4	-0.7	–
Managed Init	329.7	347.1	-0.6	–
Equity Ord	617.9	650.4	-1.3	–
Equity Init	487.0	512.6	-1.1	–
Pen Ind Lkd Gilt Ord	157.7	166.0	-1.4	–
Pen Ind Lkd Gilt Init	129.8	136.6	-1.2	–
Overseas Equity Ord	352.2	370.7	.....	–
Overseas Equity Init	277.6	292.2	.....	–
[illegible]				

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IOM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Gartmore Luxembourg SA						
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491041						
Gartmore Pantheon Fund						
Nth Amer Equity		£–	1.97			–
British Equity		£–	1.01			–
Nordic Equity		SKr–	20.65			–
Cont'l European Equity		DM–	17.06			–
Japan Equity		Y–	538.00			–
Pacific Equity		Y–	372.00			–
Developing Mkts		£–	2.02			–
Natural Resources		£–	2.07			–
W'wide Recovery		£–	1.39		+0.01	–
Int'l Equity		£–	1.35		+0.01	–
Dollar Bond		$–	1.96		−0.01	–
Sterling Bond		£–	1.00			–
European Currency Bond		Ecu–	1.47		−0.01	7.30
Int'l Conv Bond		£–	2.06			–
Dollar Reserve		$–	2.02			–
Sterling Reserve		£–	1.00			–
Deutschmark Reserve		DM–	5.04			–
Yen Reserve		Y–	504.00			–
Henderson Management SA						
21-25 Allee Scheffer L-2520 Luxembourg 01-638 5757 or 010-352-462232						
Henderson Horizon Fund						
Japanese Portfolio	–	$–	14.39	16.24	−0.02	–
Japan Smlr Cos P'flio		$–	22.35	23.61	+0.05	–
Pacific Portfolio		$–	12.28	12.98	−0.06	–
Nth American P'folio		$–	4.55	4.82	+0.01	–
European Portfolio		$–	8.89	9.40	+0.21	–
UK Portfolio		$–	6.19	6.56	+0.02	–
Global Portfolio		$–	9.97	10.55	+0.05	–
Fixed Int Portfolio		£–	9.15	9.61	−0.01	–
Dollar Liquidity P'folio		$–	0.8505	0.8525		–
Stlg Liquidity P'folio		£–	1.1431	1.1462		–
Hill Samuel Investment Services Intl SA						
Marktgasse 63/65, 3001 Berne, Switzerland 224051						
Hill Samuel Global Portfolio						
Global Equity			39.46			–
Global Bond			39.35			–
Global Managed			39.40			–
Sterling Fixed Int			£9.46			–
European Fixed Int			DM9.22			–
UK Equity			£9.49			–

	Bid Price	Offer Price	+ or −	Yield Gr's
HM Financial Mngmt Intl Ltd				
Mngd. Currency	£6.577	6.858	−0.025	6.87
HM Portfolio Selection Fund Ltd				
Conscience	£1.076	1.144		1.92
Far East Grwth	$1.414	1.504	+0.022	0.00
Smaller Co's	$0.989	1.052	+0.001	2.12
Special Sits	£1.007	1.071		0.75
Int'l Bond	$0.905	0.962	+0.002	3.53
American Fund	$1.888	2.008	+0.014	2.53
American Smaller Cos	$1.141	1.213	+0.018	0.00
Australian Fund	£1.660	1.765	−0.015	1.75
British Fund	£1.562	1.661	+0.002	5.24
European Fund	£2.236	2.378	+0.020	0.87
Gold Fund	£0.809	0.860	−0.001	0.00
Hong Kong Fund	£1.489	1.583	+0.008	5.64
International Fund	£1.451	1.543	−0.004	0.35
Japanese Fund	£3.134	3.334	−0.025	0.00
Japan Smaller Cos	£5.271	5.607	+0.005	0.00
Singapore & Malaysian	£1.552	1.651	+0.026	0.00
Dollar Fixed Interest	$0.991	1.054	−0.001	6.91
Sterling Fixed Int	£0.899	0.956	−0.006	11.53
Deutschmark Currency		DM5.026	−0.001	2.36
Dollar Currency		$1.003		4.91
Sterling Currency		£1.026		10.48
Yen Currency		Y200.6		1.40
Managed Currency	£0.989	1.052	−0.004	6.94
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y4,162	4,203		–
New Generation Fd $	$23.48	23.71		–
Japan Index Alpha	Y12,663	12,886		–
Jap Sector Rotation	Y10,580	10,730		–
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	£11.35	12.04		–
Pacific Basin Fd	$116.63	123.67		–
Western European	$19.32	20.50		–
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.25	1.32	+0.01	–
Hi Yield Bond	62.9	66.1	−0.1	13.75
Internat. Spec. Sits	43.0	45.7		–
Marrometric Fd	89.8	94.4	−0.8	–
U.S. Treasury Securities Fund Ltd				
Long Term Shares	$491.84			–
Fixed Income Shares	$992.20			–

DUBLIN (**)

OFFSHORE INSURANCES

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or −	Yield Gr's
Dollar Fd BOPUPs	$10.61	10.62		–
Dollar Fd OPUPs	$13.43	13.63		–
Sterling Fd BOPUPs	£10.72	10.73		–
Sterling Fd OPUPs	£14.59	14.80		–
DM Fd BOPUPs	DM10.27	10.28		–
DM Fd OPUPs	DM13.18	13.37		–
Yen Fd BOPUPs	$8.37	8.38		–
Yen Fd OPUPs	$13.28	13.48		–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12.36	13.12		0.84
Wells Fargo U.S. IT Fund				
NAV Feb 2		$9.54		–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$26.94		–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.72	–	15.55	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.80	–	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fnd	14.75	11.55	15.84	6-Mth
7-day Fund	14.81	11.59	15.91	6 Mth
Special Fund	14.87	–	16.37	Mth
Dollar	7.00	5.40	7.45	3 Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc	13.50	10.56	14.64	Qtr
Mth Int Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Mth Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6602	
OMMA (£2,001+)	14.50	11.35	15.94	Mth
HICA (£2,001+)	13.90	10.88	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000-9,999	13.728	10.750	14.922	Qtr
£10,000+	14.058	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			01-601 6746	
Money Mkt Cheque Acc	13.6	10.64	14.91	Mth
Barclays Capital Advantage Account				
94 St Paul's Churchyard EC4M 8EH			01-248 9155	
£10,000+	13.50	10.75	14.92	Qtr
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton			0604 252891	
£1,000-£2,499	11.80	9.20	12.47	Qtr
£2,500+	12.30	9.50	13.13	Qtr
Benchmark Bank PLC Premier Account				
86 Newman Street, W1P 3LD			01-631 3313	
Small Deposits	10.50	–	–	–
£2,500-£10,000	13.50	10.59	14.66	Qtr
£10,001-£20,000	13.75	10.76	14.94	Qtr
£20,000+	14.50	11.35	15.79	Qtr
B & C Merchant Bank PLC Portfolio Acc				
19 Motcomb Street, London SW1X 8LB			01-245 6616	
£2,500-£9,999	13.5	10.56	14.64	Qtr
£10,000-£24,999	14.0	10.95	15.21	Qtr
£25,000 and above	14.5	11.34	15.78	Qtr

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark firm against dollar

EUPHORIA SURROUNDED the D-Mark yesterday, as events in the Soviet Union appeared to support the prospects of democratisation in eastern Europe. The West German currency showed little movement against its partners in the European Monetary System, but was noteable firm in terms of the dollar and Japanese yen.

This came after President Mikhail Gorbachev told a meeting of the Soviet Communist Party Central Committee that political pluralism was growing, and could lead at some stage to the creation of political parties. West Germany's potential to add to its economic strength, from its central position in Europe, and the improving prospects of a united Germany, supported the D-Mark against currencies outside the EMS.

The dollar fell through chart based technical support at DM1.6720 in terms of the D-Mark, to close in London at DM1.6700 compared with DM1.6860 on Friday. After the London close stop loss selling orders were triggered in New York at DM1.6680, taking the dollar down below DM1.6650.

At the finish in London the dollar was unchanged at Y145.35, but had fallen to SFr1.4800 from SFr1.4960 and to FFr5.6750 from FFr5.7350. On Bank of England figures the dollar's index declined to 66.9 from 67.2.

There were no fresh factors to influence the dollar, but the mood of the market was cautious ahead of this week's quarterly refunding auctions by the US Treasury. Demand at the auctions could have an influence on the foreign exchanges in the near future, particularly if it seems that Japanese institutions are shifting funds out of the US, in preparation for investment in an expanding Europe. Japanese investors took nearly 35 per cent of the US Government paper auctioned in November, during the last quarterly refunding programme.

Sterling was on the sidelines, with no economic news to move the currency. The pound gained 1.35 cents to $1.6950 against a lacklustre dollar and also improved to Y246.35 from Y244.50, but was weaker against most European currencies. The pound fell to DM2.8300 from DM2.8350; to SFr2.5075 from SFr2.5150; and to FFr9.6200 from FFr9.6425. Sterling's index rose 0.2 to 89.4.

The D-Mark's strength against the dollar did not put any pressure on the EMS, where the lira remained very firm. The German currency eased to L742.51 from L742.58 at the London close, but finished above its Milan fixing level of L742.10; the lowest fixing for nearly eight weeks.

The lira remained the strongest currency in the EMS, rising above its 2.25 per cent maximum cross rate limit against the Danish krone and Belgian franc. The krone and franc were steady against the D-Mark however, and with the French franc also trading comfortably against the German currency dealers did not regard the move by the lira as a potential realignment threat.

£ IN NEW YORK

Feb.5	Latest	Previous Close
£ Spot	1.6835-1.6845	1.6840-1.6850
1 month	0.85-0.84pm	0.86-0.85pm
3 months	2.61-2.58pm	2.72-2.70pm
12 months	9.10-9.00pm	9.25-9.15pm

Forward premiums and discounts apply to the US dollar

EURO-CURRENCY INTEREST RATES

Feb 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15⅛-14⅞	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛	15⅛-14⅞
US Dollar	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛
Can. Dollar	12⅛-12⅛	12⅛-12⅛	12⅛-12⅛	12⅛-12⅛	12⅛-11⅞	11⅞-11⅛
D. Guilder	8⅛-8	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛
Sw. Franc	9⅛-9	9⅛-9	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛
Deutschmark	7⅞-7⅛	7⅞-7⅞	8-7⅞	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛
Fr. Franc	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅞-10⅞	10⅞-10⅞	11⅛-10⅞
Italian Lira	13-11	13⅛-12⅞	13⅛-12⅞	13⅛-12⅞	13⅛-12⅞	13⅛-13⅛
B. Fr. (Fin)	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
B. Fr. (Con)	10⅛-10	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
Yen	6⅛-6⅛	6⅞-6⅞	6⅞-6⅞	7⅛-6⅞	7⅛-7⅛	7⅛-7⅛
D.Krone	12⅛-12	12⅛-12	12⅛-12	12⅛-12	12-11⅞	11⅞-11⅞
Asian $Sing	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛

Long term Eurodollars: two years 8⅞-8⅛ per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6885-1.6960	1.6945-1.6955	0.88-0.86cpm	6.16	2.72-2.69pm	6.38
Canada	2.0060-2.0195	2.0160-2.0170	0.41-0.33cpm	2.20	1.27-1.14pm	2.39
Netherlands	3.18⅛-3.20⅛	3.18⅛-3.19⅛	1⅛-1⅛cpm	5.87	4⅛-4⅛pm	5.95
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc [illegible]

STERLING INDEX

	Feb.5	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Feb.5	Bank rate %	Special* Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Sterling quoted in terms of SDR and ECU per £. * All SDR rates are for Feb.2

CURRENCY MOVEMENTS

Feb.5	Bank of England Index	Morgan* Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Feb 2

OTHER CURRENCIES

Feb.5	£	$
[illegible]	[illegible]	[illegible]
Taiwan	44.15-44.25	26.10-26.15
U.A.E.	6.2045-6.2105	3.6720-3.6730

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.5	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb.5	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; POUND-$ FOREIGN EXCHANGE; IMM-STERLING; LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH EUROMARK; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH ECU; FT-SE 100 INDEX; CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); PHILADELPHIA SE £/$ OPTIONS; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX; 10 YEAR 10% NATIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
February	1920.0	1920.9	-0.62	1935.0	1913.0	4,994
March	1930.0	1924.0	-	1930.0	1916.0	706
April	1935.0	1927.0	-0.01	1935.0	1927.0	100
June	-	-	-	-	-	-

Estimated volume 3,427 Total Open Interest 5,817

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Duncan Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	14	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

Very large shortage

THE YIELD curve was virtually flat across the fixed periods on the London money market yesterday. Rates from one to six months were quoted at 15⅛-15⅛ per cent, with the longer term, of up to 12-months slightly lower. This illustrates expectations that UK bank base rates will not change, at least until the second half of the year.

Day-to-day credit conditions were tight in London. The Bank of England initially forecast a shortage of £1,150m, but revised this to £1,200m at noon and to £1,300m in the afternoon. Total help of £1,226m was supplied. An early round of help was offered, and at that time the authorities bought £540m bills, for resale to the market on February 12, at a rate of 14⅞ per cent.

UK clearing bank base lending rate 15 per cent from October 5

At noon £398m bills were purchased outright, by way of £15m bank bills in band 1 at 14⅞ per cent and £383m bank bills in band 2 at 14⅞ per cent. In the afternoon the Bank of England bought another £288m bills outright, via £10m local authority bills in band 1 at 14⅞ per cent; £177m bank bills in band 1 at 14⅞ per cent; and £101m bank bills in band 2 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,507m, with bank balances below target absorbing £190m. These outweighed Exchequer transactions adding £5m to liquidity and a fall in the note circulation of £540m.

In Paris the Bank of France kept its intervention rate at 10 per cent and the five to 10-day securities repurchase rate at 10⅞ per cent, when injecting liquidity into the banking system, via a securities repurchase agreement tender.

Rates on the French money market had a slightly softer tone as banks held ample liquidity, while sentiment was underpinned by the relative strength of the franc against the D-Mark.

Although the central bank left official interest rates unchanged it took the opportunity to withdraw funds, by supplying only FFr28.1bn at the tender. This left a net drain of FFr43.8bn, as earlier pacts totalling FFr71.9bn expired.

In Frankfurt call money firmed slightly to 7.80 per cent from 7.75 per cent in quiet trading. The market is waiting for the terms of a securities repurchase agreement tender from the Bundesbank, to offset DM17.0bn leaving through an expiring facility on Wednesday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.5)	3 months US dollars		6 months US Dollars	
	bid 8⅛	offer 8⅛	bid 8⅛	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) Treasury Bills and Bonds

Prime rate	10	One month	[illegible]	Three year	8.42
Broker loan rate	[illegible]	Two month	[illegible]	Four year	8.43
Fed.funds	[illegible]	Three month	[illegible]	Five year	8.45
Fed.funds at intervention	-	Six month	[illegible]	7-year	8.49
		One year	[illegible]	10-year	8.54
		Two year	8.37	30-year	8.53

Feb.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.35-7.45	7.75-7.90	7.90-8.05	8.20-8.40	8.00
Paris	10⅛-10⅛	10⅛-10⅛	-	10⅞-10⅞	-	9.50
Zurich	8⅞-9⅛	9⅛-9⅛	-	9⅛-9⅛	-	-
Amsterdam	8.35-8.45	8.56-8.64	-	8.65-8.75	-	-
Tokyo	6⅞-6⅞	6⅞-6⅞	-	6⅞-7	-	-
Milan	12⅛-12⅛	13⅛-14	-	13⅛-13⅛	-	-
Brussels	8.45	10⅛-10⅛	-	10⅛-10⅛	-	-
Dublin	11⅞-11⅞	11⅞-12⅛	11⅞-12⅛	12-12⅛	11⅞-12⅛	-

LONDON MONEY RATES

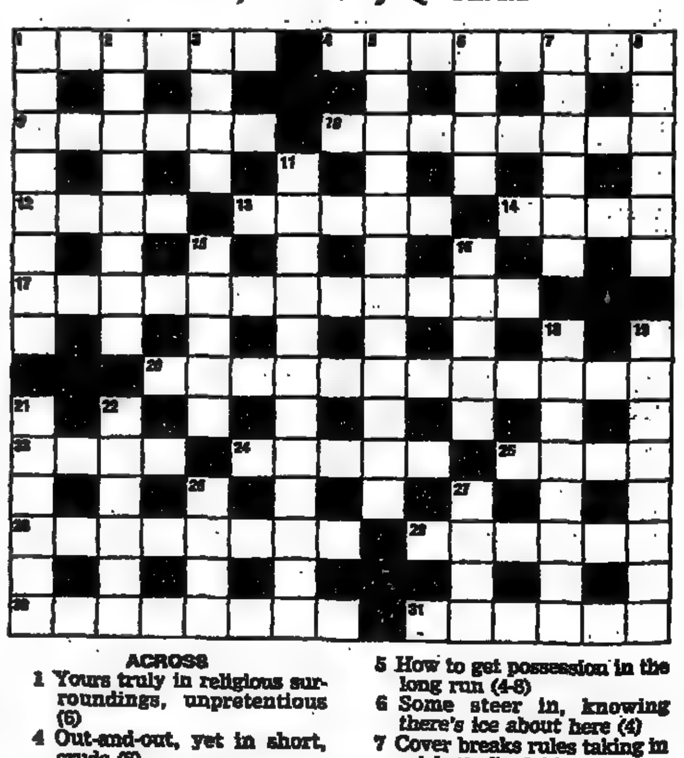
Feb 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	15	15⅛	15⅛	15⅛	15⅛
Interbank Bid	14⅛	14⅞	15	15	15	14⅞
Sterling CDs	-	-	15⅛	15⅛	15⅛	14⅞
Local Authority Deps.	14⅞	14⅞	15	15⅛	15	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15⅛	15
Finance House Deposits	-	-	15⅛	15⅛	15⅛	15
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs	-	-	8.25	8.30	8.35	8.52
SDR Linked Dep Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅞	9	9⅛	9⅛
ECU Linked Dep. Offer	-	-	10⅞	11⅛	11⅛	11⅛
ECU Linked Dep. Bid	-	-	10⅞	10⅞	11⅛	11⅛

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell); one-month 14⅞ per cent; three months 14½ per cent; Treasury Bills; Average tender rate of discount 14.4760 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1990. Agreed rates for period February 26 1990 to March 25, 1990, Scheme I: 15.89 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Dec.30,1989 to January 31, 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

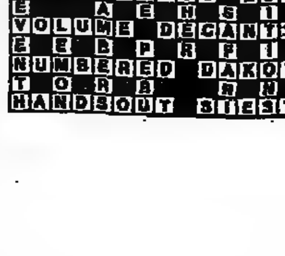
No.7,157 Set by QUARK



ACROSS
1 Yours truly in religious surroundings, unpretentious (6)
4 Out-and-out, yet in short, crude (8)
9 Tony – a right rough public officer (6)
10 Overseas money in drink recalled for relative (8)
12 Where archaeologists stay? (4)
13 Fielders making mistakes (5)
14 The French and Poles seen in camera (4)
17 Write car rear off: it's a sign (5,7)
20 Brave porter with notice about the paintings (12)
23 Month without capital for principal (4)
24 The meadow's quiet; dog could be on it (5)
25 Lady signaller's name (4)
28 Standard of pitch could stop play (8)
29 There's nothing in the wood such as a cut track (6)
30 Put up with a different role in art gallery (8)
31 Short skirt, unfinished, doubles up; shows disapproval? (3-3)

DOWN
1 Pass on and put cards on the table? (4,4)
2 Without hesitation one dynamic person in chess ending is moderate (8)
3 Instrument – one inaccurate in sound (4)
5 How to get possession in the long run (4-8)
6 Some steer in, knowing there's ice about here (4)
7 Cover breaks rules taking in cricket's final (6)
8 House a home? True (6)
11 Steal pure boa, somehow? Might be heading for a trip (8-4)
15 Compose and correct, we hear (5)
16 Kind of race to broadcast again (5)
18 Put a stop to new issue in PO? (5,3)
19 Next to sailor in the main, in a depression (8)
21 Outlaw will make bit (6)
22 Careless writing by society creep (6)
26 Reasonable entertainment (4)
27 Wife abroad losing love for gold (4)

Solution to Puzzle No.7,156



WORLD STOCK MARKETS

AUSTRIA — February 5 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — February 5 — Frs. — + or −

[illegible]

DENMARK — February 5 — Kr — + or −

[illegible]

FINLAND — February 5 — Mka — + or −

[illegible]

FRANCE — February 5 — Frs. — + or −

[illegible]

FRANCE (continued) — February 5 — Frs. — + or −

[illegible]

GERMANY — February 5 — Dm. — + or −

[illegible]

GERMANY (continued) — February 5 — Dm. — + or −

[illegible]

ITALY — February 5 — Lire — + or −

[illegible]

ITALY (continued) — February 5 — Lire — + or −

[illegible]

NETHERLANDS — February 5 — Fls. — + or −

[illegible]

NORWAY — February 5 — Kroner — + or −

[illegible]

SPAIN — February 5 — Pts.% — + or −

[illegible]

SWEDEN — February 5 — Kroner — + or −

[illegible]

SWITZERLAND — February 5 — Frs. — + or −

[illegible]

SOUTH AFRICA — February 5 — Rand — + or −

[illegible]

JAPAN — February 5 — Yen — + or −

[illegible]

AUSTRALIA — February 5 — Aust.$ — + or −

[illegible]

HONG KONG — February 5 — H.K.$ — + or −

[illegible]

MALAYSIA — February 5 — MYR — + or −

[illegible]

SINGAPORE — February 5 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] ♦ Flemish prices unavailable Feb. 5. [illegible]

CANADA

TORONTO
Closing prices February 2

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]					
1100	Cen Capital	[illegible]			
1951	CanCap A	$9½	9¼	9½ +	⅛
1200	CanFd A	$6⅞	6⅞	6⅞ +	⅛
12800	G Guar Trc	$10¼	10⅛	10¼ +	⅛
10500	Charan	41	39	39 −	2
100	Chieftan	$23⅞	23⅞	23⅞ +	⅛
7300	Cineplex	$7	6¾	7	
620410	Cominco	$23¼	22½	23 +	½
914	C HCI A f	$9¾	9¾	9¾	
6350	Con TVX	$7⅞	7¾	7⅞ +	⅛
2651	Crown Cos	$26¼	26	26¼	
900	Conwest B	$14	14	14 −	½
170	Corby A	$30	30	30 −	½
[illegible]					
1750	Ivaco A f	$11	10⅞	10⅞	
7880	Jannock	$18¼	18⅛	18⅛	
100	Kerr Add	$13½	13½	13½ −	⅛
18344	Labatt	$21⅞	21½	21⅞ +	⅛
485384	Lac Mnrls	$15⅛	13½	15⅛ −	⅛
93	Lafarge p	$21⅛	21⅛	21⅛	
4550	Laidlaw A	$24⅞	24½	24⅞ +	⅛
577105	Laidlw B f	$24⅞	24¼	24⅞ +	½
4500	Laur Bk	$15	15	15 −	⅛
1900	Laur Gr B	$8	8	8 −	⅛
2875	LawsnM A	$9¼	9¼	9¼	
10800	Loblaw Co	$13⅞	13⅝	13⅞	
[illegible]					
10200	SL CemA f	$15½	15⅛	15½ +	½
6000	Samuel MT	$11	11	11 +	⅞
15750	Seakoll	$14⅝	14½	14⅝ +	⅛
167912	Sceptre	420	415	415 −	5
700	Schneider A	$23	22½	23 −	⅛
1200	Scot Paper	$16⅝	16½	16½ −	⅛
86500	Scotts f	$13⅛	13⅛	13⅛	
7180	Scotts C	$13⅞	13½	13⅞ +	⅜
23130	Seagram	$90½	89	89⅞ −	⅛
7712	Sears Can	$11⅝	11½	11⅝ +	⅛
8740	ShawC B f	$10	10	10	
[illegible]					
100	Weldwood	$15	15	15 −	⅛
109928	Woosel E	$20⅛	20⅛	20⅛	
1440	Westmin	$9	8	8	
2200	Weston	$42⅛	42⅛	42⅛	
29533	Woodwd A	220	215	219 −	1
500	Xerox Can	$21½	21½	21½ +	⅛

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices February 2

200	BombrdrA	$15½	15½	15½ −	⅛
11251	BombrdrB	$15¾	15¼	15¼ −	⅜
24530	Cambior	$18⅝	18	18 −	⅛
12450	Cascades	04⅝	04⅜	04½ −	½
3302	DomTxtA	$16¼	14⅞	15⅛ +	⅞
4941	Memotec	$09	09	09	
44478	NatBk Cda	$11	10¾	10⅞	
86943	Noverco	$13⅛	12⅞	13⅛ +	⅛
9115	Power Corp	$15⅞	15⅜	15⅜	
23174	Provigo	$09	08⅞	09	
120	Quebecr A	$14	14	14	
30450	Quebecr B	$12¼	12	12⅛ +	⅛
2500	Videotron	$14	13¼	13⅞ +	⅜

Total Sales 4,321,744 shares.

INDICES

NEW YORK

DOW JONES	Feb 2	Feb 1	Jan 31	Jan 30	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2602.70	2586.26	2590.54	2543.24	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.02	91.12	90.95	90.82	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1063.30	1060.28	1045.67	1031.83	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	224.28	223.28	223.65	218.69	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2623.65 (2611.49) Low 2577.03 (2571.85)

STANDARD AND POOR'S	Feb 2	Feb 1	Jan 31	Jan 30	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.92	328.79	329.07	322.98	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	381.12	378.33	378.69	371.92	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.97	27.89	27.93	27.31	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	182.75	181.52	181.50	178.43	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	353.56	351.50	350.07	345.50	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	422.21	417.76	415.81	418.72	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 26	Jan 19	Jan 12	year ago (approx.)
Dow Industrial Div. Yield	4.20	3.99	3.96	3.46

	Jan 31	Jan 24	Jan 17	year ago (approx.)
S & P Industrial div. yield	3.13	3.11	3.03	3.12
S & P Indl. P/E ratio	14.04	14.09	14.39	13.40

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Genentech	4,392,400	29⅞	+ 8⅛
Philip Morris	2,380,300	38⅛	+ ⅛
USX Corp	2,328,400	34⅛	+ ⅛
A T & T	1,971,700	39⅞	+ 1
IBM	1,516,100	98⅞	+ ⅛
Chrysler	1,476,600	16	− ⅛
Gen Motors	1,347,900	41⅞	—
Bank New Eng	1,281,200	5⅛	+ ⅛
Nat Semi	1,275,300	6⅛	—
Gen Electric	1,275,600	61⅛	—

TRADING ACTIVITY

† Volume Millions	Feb 2	Feb 1	Jan 31
New York	164,400	151,057	190,285
Amex	11,535	11,374	11,9695
NASDAQ	135,020	135,470	147,997
Issues Traded	1,962	1,958	1,963
Rises	1,004	878	1,107
Falls	494	641	445
Unchanged	464	439	411
New Highs	19	18	8
New Lows	46	72	99

CANADA

TORONTO	Feb 2	Feb 1	Jan 31	Jan 30	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3019.47	3004.18	3057.12	3048.70	3919.2 (1/9/89)	3004.18 (1/2/90)
Composite	3719.57	3709.05	3704.42	3707.00	4037.8 (6/10/89)	3350.5 (4/1/89)
MONTREAL Portfolio	1876.80	1872.91	1871.06	1864.30	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 5	Feb 2	Feb 1	Jan 31	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1666.8	1669.3	1670.9	1677.0	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	842.2	843.0	837.9	846.3	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	625.96	603.06	587.27	581.38	625.96 (5/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6232.45	6237.52	6226.46	6237.14	6805.28 (26/9/89)	5518.38 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	380.32	377.17	373.55	371.07	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	668.6	667.2	(u)	663.4	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	528.00	521.33	520.83	519.20	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1926.34	1924.70	1895.53	1882.88	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	807.13	795.38	774.10	761.48	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2369.8	2334.7	2274.4	2237.5	2369.8 (5/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1939.43	1910.67	1858.08	1822.78	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2756.67	2736.55	2738.24	2751.60	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1851.81	1860.96	1859.11	1837.46	1893.30 (22/1/90)	1368.64 (18/1/89)
ITALY						
Banca Com. Ital. (1972)	687.29	684.37	684.27	682.76	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37631.41	37650.15	37206.42	37188.95	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2763.11	2762.40	2754.89	2737.57	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4153.41	4134.53	4116.53	4088.33	4153.41 (5/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	600.51	597.85	(u)	570.21	600.51 (5/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	254.1	256.8	254.1	252.7	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	196.5	197.8	194.9	193.8	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	796.42	776.12	776.36	759.85	796.42 (5/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1020.34	1014.02	1043.28	1048.95	1376.36 (30/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	442.85	438.13	432.80	425.36	442.85 (5/2/90)	308.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2220.0	2258.0	2180.0	2184.0	2254.8 (12/12/89)	1292.0 (15/2/89)
JSE Industrial (28/9/78)	3145.6	3031.0	2933.0	2923.0	3145.6 (5/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	877.45	878.15	885.83	896.16	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	287.26	283.19	281.74	278.92	328.95 (13/9/89)	260.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4669.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	771.7	763.4	754.7	750.5	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12502.87	12217.78	12087.25	12054.35	12382.87 (5/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	822.56	852.29	845.35	853.72	926.87 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	543.9	541.6	539.9	571.0 (4/1/90)	487.6 (3/6/89)

**Saturday Feb. 3: Taiwan Weighted Price: 11869.40 Korea Comp Ex. 874.92

♦ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday February 5 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Mining	8.4m	1,100	+20	Cosmo Oil	6.1m	1,380	+20
Kawasaki Steel	7.5m	805	-12	Nippon Steel	5.6m	707	-4
Sankyo Al	7.2m	1,720	+80	IHI	5.3m	1,370	-30
Teikoku Oil	6.5m	1,760	+20	Asahi Chem Ind.	4.9m	1,190	0
MHI	6.5m	1,110	-30	Nippon Seiko	4.9m	1,340	+70

3pm prices February 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¾	AAR	.48	1.5	19	182	31⅝	31¼	31¾	– ⅛
9¼	8½	ACM n	1.01	11.		x65	9⅜	9⅜	9⅜	– ⅛
11⅝	10½	ACMIn	1.26	11.		x524	11⅛	11	11⅛	
9⅞	8	ACM M	n1.01	12.		x242	8⅝	8½	8⅝	
12⅛	12	ACMMM				12	12⅛	12⅛	12⅛	
11½	10	ACM Se	1.26	12.		836	11	10⅞	10⅞	– ⅛
9⅞	8⅛	ACMSp	1.01	11.		320	9⅛	9⅛	9⅛	
19⅞	11½	AL Lab	.16	.9	19	7	18⅛	18⅛	18⅛	
4⅛	3⅛	AMCA	.12e	3.6	8	5	3⅜	3⅜	3⅜	
6⅛	3⅜	AM Intl			8	223	3⅞	3⅝	3⅝	– ⅛
23½	16⅝	AM In pf	2	12.		7	17⅜	17¼	17¼	
107⅛	52½	AMR			8	2786	54⅞	53⅞	54⅛	+ ⅛
6½	3⅛	ARX				116	3½	3⅜	3⅜	
70	38	ASA	3a	4.2		3163	u70⅝	68½	70⅝	+2⅞
70⅞	46⅞	AbtLab	1.40	2.1	17	1366	65⅞	65⅛	65⅞	– ⅞
18⅛	11⅛	AbitiBi g	.50			68	12⅝	12⅜	12⅝	+ ⅜
13	9⅛	AcmeC	.40	4.0	11	8	10⅛	10	10	
9⅞	8	AcmeE	.32	3.7	11	2	8⅝	8⅝	8⅝	– ⅛
38½	25½	Acuson			19	157	28⅞	28⅛	28½	– ⅞
16½	12⅞	AdaEx	2.08e	13.		88	15½	15⅜	16½	+ ⅛
15⅝	7	Adobe				102	13⅝	13⅛	13½	
20⅛	16⅞	Adob pf	1.84	9.7		13	19	19	19	– ⅛
21⅝	19⅞	Adob pf	2.40	11.		7	21⅛	21⅛	21⅛	
10½	7	AMD			8	961	7⅛	d 6⅞	7	
10⅛	6⅛	Advest	.16	2.4	8	61	7⅛	6⅝	6⅞	
62½	48½	AetnLf	2.76	6.5	6	696	50⅛	49⅞	49⅞	– ⅛
14	9⅞	AfilPb	.24	2.2		326	10⅞	10⅛	10⅛	– ⅛
25	16⅛	Ahmans	.88	6.0	8	542	18⅛	17⅝	17⅞	– ⅞
3⅞	2⅛	Aileen				2	2⅛	2⅛	2⅛	– ⅛
50⅛	40	AirPrd	1.32	2.8	12	385	48⅞	48⅛	48⅛	– ⅞
38⅞	21⅛	AirbFrt	.60	1.7	13	360	35⅞	35⅛	35⅞	+ ⅛
25⅛	16	Airgas			10	24	17⅞	17⅞	17⅞	– ⅞
20⅞	18⅞	Airlease	2.40	12.	10	12	19⅞	19⅞	19⅞	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37⅞	18½	Rohr			23	16	18⅞	18½	18⅝	-⅛
14⅛	9⅝	RolliaE	.08	.6		771	13½	13¼	13½	+¼
21	16⅞	Rollins	.56	3.2	18	x181	17½	17¼	17½	+¼
10¼	7⅜	RolTrk	.20b	2.7	6	230	7⅜	7⅜	7½	+⅛
64⅝	36⅛	Rorer	.84	1.4	23	x1578	61¼	60⅜	60⅞	-⅜
12	6	Rowan				3676	11⅞	11⅝	11¾	+⅛
25⅛	23¼	RBSct	pr.71e	2.9		30	24½	24⅜	24⅜	-⅛
78⅛	67¼	RoylD	3.26e	4.3	7	3294	77⅞	76⅞	77⅝	+⅛
16	8½	RoyInt	.20a	2.2	12	74	9⅛	9⅛	9⅛	
10	8¼	Royce	.52e	5.9		206	8⅞	8⅝	8¾	-⅛
37⅜	26¾	Rubmd	.52	1.6	22	x249	32⅛	31⅞	31⅞	-½
21¾	14⅞	RussBr	.40	2.6	18	19	15¾	15⅝	15¾	
15	9¾	RussTg	.20	2.0	196	9	9⅞	9⅞	9⅞	-⅛
28½	19⅛	Russell	.32	1.3	16	39	25	24½	24½	-¼
31⅞	18¼	Ryder	.60	3.3	20	1068	18⅝	18⅜	18⅜	
29½	19⅞	Rykoff	.60	2.9	13	148	21⅛	21	21	
25⅝	18¼	Rylend	.60	3.1	6	64	19⅝	19¼	19⅝	
14⅜	9¼	Rymer				3	9⅝	9⅝	9⅝	
10⅝	9⅛	Rymer pf1.17		12		30	9½	9⅜	9½	

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[illegible]

NASDAQ NATIONAL MARKET

5pm prices February 5

[illegible]

AMEX COMPOSITE PRICES

5pm prices February 5

[illegible]

EUROPE

Quality performance from Frankfurt and Nordic duo

QUALITY performances came yesterday from markets which seem to have their own volition, Frankfurt on an unprecedenced wave of buying, and Oslo and Copenhagen, *writes Our Markets Staff.*

FRANKFURT hit another series of peaks. The FAZ and DAX indices registered new record highs for the second session in a row, rising 11.75 to 807.13 and 28.76 to 1,939.43 respectively. Volume just made a new record, rising from D16.5bn to DM16.7bn.

The scale of the rises was kept within bounds by a sharp fall in the domestic bond market, as the negative mood in the US Treasury market last Friday spilled over the weekend, and across the Atlantic.

Selectivity returned, in some areas. Chemicals were soft, partly on profit-taking after last week's strength, as Bayer fell DM1.50 to DM328 and Hoechst DM3.50 to DM309.00.

Banking stocks were strong, in part supported by options-related buying. Deutsche Bank rose DM6.50 to DM862.50, with Commerzbank DM5.10 higher at DM336.10. Options buying also paced the DM21 rise to DM797 in the electronics blue chip, Siemens, which was the most actively traded call options contract on the new Deutsche Terminbörse.

Carmakers also registered strong gains, as BMW advanced DM18 to DM590 and Daimler DM15 to DM931. Brokers commented that Daimler's strength was sitting increasingly strangely alongside their earnings per share expectations, with a fall to around DM56 a share expected for 1989 – against DM60.30 in 1988 and DM66.55 the year before.

OSLO achieved a third consecutive record high in busy trading. Sentiment was supported by government moves to relax investment restrictions, and the all-share index closed up 14.24 at 594.3 in trading worth a total of NKr672m.

On Friday the Government said that it would ask parliament to increase the amount foreign investors can hold in Norwegian banks to 33 per cent from 25 per cent.

PARIS improved slightly after struggling to build on early gains. The CAC-40 index added 1.44 to 1,926.14.

Eurodisney attracted most attention. On the first day that US investors could buy the stock, it put on Fr11.50 to Fr104.50 after peaking at a fresh high of Fr105.80.

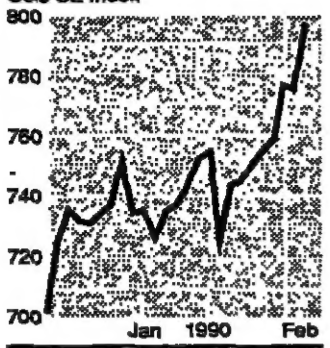
Oil stocks attracted interest amid speculation that prices would be driven up by the *threat of political instability in* the Soviet Union. Elf gained Fr6 to Fr594 and Esso ended Fr26 up at Fr717.

Car-related stocks lost ground after Michelin said that it was reviewing costs and investments because of a slower world tyre market. Michelin lost Fr9.20 to Fr144.90 and Peugeot fell Fr24 to Fr735.

AMSTERDAM attracted limited late buying interest in

Norway

Oslo SE Index



Aegon and Amev, the insurance groups, although the bourse ended generally easier. Amev added Fl 1.50 to Fl 61.80 and Aegon gained Fl 1 to *Fl 111.90.*

Philips, the white goods and electricals group, was the second most actively traded stock. It fell Fl 0.30 to Fl 44.70 in spite of winning a Fl 40m order from Olivetti. The company later said that it was setting up offices in Prague and Warsaw to take advantage of the improving climate for Western investors in Eastern Europe.

Pirelli Tyre Holding, the Dutch-based holding company *which controls the Italian tyre* maker, said its 1989 preliminary net profit rose to Fl 205m from Fl 191m in 1988. It dipped Fl 0.10 to Fl 31.90.

Workers at Hoogovens, the steel group, staged sporadic strike action at the weekend as their pay dispute intensified. Its stock closed Fl 0.40 down at Fl 73.20.

MILAN rose in moderate trading, the Comit index gaining 2.83 to 687.20, but dealers said that the positive finish was more cosmetic than fundamental and noted that underlying sentiment was still weak.

Attention focused on tele*communications and banks.* Sip, the telphone operating company which last week announced plans for a L1,200bn rights issue, rose L39 to L3,150, and occasioned the murmurings about cosmetic market operations.

In the banking sector, Banca Commerciale Italiana (BCI) rose L31 to L5,139.

MADRID firmed as the bourse consolidated gains registered last week. Volume remained low, however, because of a shortage of sellers.

The general index rose 2.79 to 287.26 with construction *stocks recording the strongest* rises. Cristaleria climbed 57 percentage points to 1,139 per cent of par value, and Valderrivas was up 162 at 4,312.

*ZURICH saw buying by for*eign investors, a follow through from the locals, and the Crédit Suisse index 4.8 higher at 618.4. Lower short term money market rates, and the rise in Frankfurt equities added to the improvement in sentiment.

Roche bearers rose SFr270 to SFr7,520, although Friday's news that it will acquire a controlling interest in Genentech *of the US had raised worries about dilution of earnings. In* foods, Nestlé registered rose SFr105 to SFr8,625.

BRUSSELS actually complained about the West German stock market boom as the cash market index slipped 4.97 to 6232.55 in low volume. Brokers also worried that the planned cut from 25 to 10 per cent in the withholding tax on bond interest income next March 1 could tempt fund managers to switch out of equities.

*COPENHAGEN saw its sec*ond record high in two days after strong buying of selected exporters and shipping shares.

The bourse index rose 6.77 to 380.32 after a gain of 3.62 last Friday.

The weekly review of world markets will appear tomorrow.

AMERICA

Caution casts a shadow on Dow as eyes look East

Wall Street

IN SPITE OF another downturn in Treasury bonds, share *prices moved modestly higher* yesterday morning in slow business as traders keenly watched developments in Moscow and remained cautious in advance of today's first quarterly refunding auction, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 6.76 points higher at 2,609.46 on low volume of 81m shares. The Dow had closed 16.44 points higher on Friday at 2,605.70.

Other key stock indices were also quoted modestly higher at midsession including the Nasdaq Composite index of over-the-counter stocks which *is recovering from its sharp* January falls.

The mood was extremely cautious yesterday morning. The market had reacted *favourably to last Friday's* news of a larger than expected 275,000 rise in the non-farm payroll in January which, although boosted by various seasonal factors, still did not appear to suggest that the economy was anywhere near tipping into recession.

The follow-through from Friday's gains was rather unenthusiastic. The Treasury bond market was clearly on the defensive, not only because of *the stronger than expected* employment report, but also because of nervousness about the level of demand expected at this week's quarterly refunding.

At midsession, the long bond was quoted $\frac{1}{8}$ point lower for a yield of 8.54 per cent. The Treasury is due to auction $10bn in three-year bonds today, $10bn in 10-year notes tomorrow and $10bn in 30-year bonds on Thursday.

There has been concern ever since the year began that rising yields in overseas government bond markets as well as increased international diversification of portfolios would mean subdued demand at the refunding.

However, yields have risen sharply so far this year which some bond analysts believe will be enough to ensure the success of the auctions. Volume was sluggish yesterday morning partly as all eyes *turned to reports of develop*ments at the special meeting of the Soviet Communist Party's central committee.

The equity market, while held back by developments in the bond market and cautious because of political uncertainty in Moscow, has clearly stabilised from its sharp fall in January, recouping nearly 60 points between Wednesday and Friday.

The buying, however, reflects more the fact that the market was technically oversold than any new confidence about prospects for the economy and interest rates.

The Fed's policy-making Federal Open Market Committee, which sets the central bank's target for the Fed Fund rate, meets today and tomorrow amid expectations that interest rate policy will be kept on hold at a Fed Funds target of 8¼ per cent.

Among featured stocks yesterday was Holiday which jumped $3⅞ to $63⅞ after the company said that it had received verbal assurances from banks for up to $1.07bn in financing for Promus Companies, which it will spin off before Bass of Britain completes its acquisition of the Holiday Inns hotel chain.

Precious metals companies benefited from a rise in the gold price. Battle Mountain Gold added $⅝ to $17⅞ and Newmont Gold gained $1⅞ to $56⅞.

Canada

THE STRENGTH of gold also helped Toronto stocks to across the board gains in light trade.

The composite index gained 28.4 to 3,748.0 on volume of 14.7m shares. Advancing issues led declining ones by 310 to 148 at midsession.

Among gold shares, Corona gained C$⅛ to C$10⅞ and American Barrick put on C$1 to C$21⅞.

Johannesburg's hothouse stoked up by foreigners

Jim Jones analyses the euphoria in South Africa

"BUY on the cannons, sell on the trumpets." That old Rothschild adage – buy when the armies are at the city gates and sell when the trumpets announce their retreat – neatly sums up the attitudes of many South African institutional and private investors in the wake of Friday's momentous announcements by the South African President, Mr F W de Klerk.

On Friday the Johannesburg Stock Exchange (JSE) lifted off, hit by a wave of foreign and local investment buying. By yesterday, however, reaction had set in as local holders of mining shares took their profits and let stock go to foreigners.

Friday was the trading day to beat all trading days. Turnover rose above R201m against Thursday's comparatively low R82m, and the more recent daily norm of R120m. The Johannesburg market's overall index rose by 3.2 per cent to 3,280 from Thursday's 3,178; the all gold index rose more modestly, by 1.7 per cent to 2,250 from 2,212; and industrials were 3.9 per cent higher with their index reaching 3,031, from 2,918.

By yesterday, mining stocks and industrials were moving in different directions, as local investors took profits in golds and as foreigners switched from golds into the blue chip industrials which they have avoided since the mid-1980s.

Foreign buying has simply added to the pressures that normally influence JSE trading, in the hothouse environment of exchange controls. Local institutions, whose burgeoning cash flows have been absorbed in purchases of shares sold by divestors, privatisation of state-owned industries and last year's succession of rights issues, are not in the mood to sell carefully built industrial share portfolios.

Paradoxically, private investors remain reluctant to sell until there is clarity over government's plans to introduce a capital gains tax.

Mr Richard Stuart, a stockbroker with Martin & Company, believes an explosive situation is developing for shares. He says that London institutions, which have avoided the JSE for years, are now clamouring for good industrial shares; but he wonders where the scrip will come from.

There are prices which will bring even the most tightly-held shares on to the market. Mr Peter Trengove-Jones of Simpson McKie believes this, but he also maintains that those prices will be much greater than today's. By noon yesterday, he notes, South African Breweries (SAB) shares had risen by 20 per cent since Thursday, and almost 9 per cent from their Friday closing price.

Mr Dixie Strong, also of Simpson McKie, adds that trading is restricted to a narrow range of top-quality blue chips. Last year's trade in SAB, for example, averaged R16m a month. That figure was practically equalled in the past two days' trading.

In contrast to the strong turnover in SAB, Rembrandt, Sasol and Iscor shares, holders of issues such as Tiger Oats and Liberty Life were unwilling to sell. Sales of industrial shares were restricted to a handful of companies.

Local institutions, which are not free to invest abroad, are reluctant to sell industrials; they fear that they will not be able to replace their holdings with adequate alternatives, and they are concerned that there will be less privatisation and rights issues this year than last to absorb cash flows.

Meanwhile, foreign demand for South African shares has helped narrow the financial rand discount to its present 22 per cent, with most brokers predicting that it is unlikely to narrow much further.

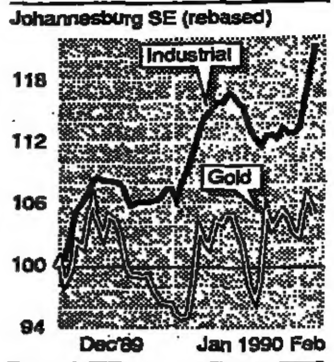
At this level, Mr Stuart argues, South African companies might be tempted to move funds out through the financial rand market to finance foreign subsidiaries while foreign creditors could also be tempted to externalise debt which has been trapped inside the country by the mid-1980s moratorium on debt repayments.

The fundamentals of a low foreign debt, economic deregulation, strong trade surpluses, the possibility of an early lifting of trade and financial sanctions, and a range of firm mineral prices point to the South African economy growing strongly in the 90s.

But while that is potentially good for the JSE, some nervous investors warn of catastrophe if the African National Congress plans to nationalise the gold mines and banks are implemented. President de Klerk's decision to give his political opponents a free rein has triggered an immediate investment response. Now comes the sober assessment.

South Africa

Johannesburg SE (rebased)



LEADING industrial stocks soared to new highs in Johannesburg yesterday after Friday's strong rally. Sentiment continued to be bullish following last week's keynote speech by South African President F W de Klerk.

However, most gold and other mining shares lagged under pressure from a further steep gain in the financial rand, the restricted investment currency for foreigners, to 3.22 per dollar from 3.30.

The industrial index ended at a new high of 3,145 – more than 100 points up from Friday's record close of 3,031.

This helped push the overall index to a fresh high of 3,319 from Friday's record 3,280. However, in spite of a higher bullion price, the all-gold index finished lower at 2,220 following Friday's surge to 2,250.

Among industrials, Barlows gained R4.50 to R54.50.

ASIA PACIFIC

Japan lags amid surge in Pacific

Tokyo

INVESTORS were still wary yesterday, and share prices moved in a narrow range in very quiet trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed with a loss of 18.74 at 37,631.41, *advancing issues outnumbing* declines by 506 to 394 with 226 unchanged. Turnover was 464m shares, down from 587m on Friday. The Topix index of all listed shares inched down 0.71 to 2,763.11 but, in London, the ISE/Nikkei 50 index rose 2.61 to 2,033.94.

There was little enthusiasm for stories, or particular sectors. Concern about the political situation in the Soviet Union and about the outcome of domestic national elections scheduled for mid-February has kept investors largely uncommitted.

In addition, both bonds and *bond futures took a big fall* yesterday morning in reaction to a slide in the yen, confirming fears that the external market environment could still come up with nasty surprises.

The oil sector saw renewed interest on speculation that some Middle Eastern countries would send oil-related missions, following the move of Saudi Arabia, whose oil minister was recently in Japan. High oil prices have also contributed to the popularity of the sector.

Arabian Oil *saw a rise of* Y400 to Y14,500 while Teikoku Oil gained Y20 to Y1,760 in active trading. Nippon Mining, which has oil exploration projects, advanced Y20 to Y1,100. It was the most actively traded issue with 8.4m shares.

Textiles saw a measure of interest as laggards, and because they are less affected by recent external developments. Kurabo Industries rose Y9 to Y899 and Daiwabo added Y8 to Y930.

The big steels and shipbuildings, in the limelight last week as leading Japanese brokers recommended them to foreign *investors, lost favour.* Kawasaki Steel, second in volume with 7.5m shares, dropped Y12 to Y805 while Nippon Steel lost Y4 to Y707. Mitsubishi Heavy Industries and Ishikawajima *Harima Heavy Industries* both eased Y20, to Y1,110 and Y1,370 respectively.

Elsewhere, Sankyo Aluminium posted a strong gain on its good business performance. It was third in volume with 7.2m shares and rose Y60 to Y1,720.

Osaka was much more buoy*ant than Tokyo and the OSE* average posted a gain of 148.14 to 38,672.70. Volume, however, was low at 45m shares, compared with 72m on Friday.

Roundup

RECORDS tumbled in Taiwan, Singapore and Kuala Lumpur as most Asia Pacific markets registered impressive gains.

TAIWAN got over its weekend worries, the weighted index advancing 432.67, or 3.65 per cent to 12,302.07 as SEC officials denied that the government had decided to widen the daily price fluctuation band from *7 to 10 per cent.* Rumours on this score led the index to a fall of 348.38 on Saturday.

SINGAPORE continued to benefit from strong support *among local and overseas insti*tutions. Turnover rose to a record 242m shares worth S$451.1m, compared to 228m shares valued at S$438.9m on Friday. The Straits Times industrial index rose 27.1 to a record 1,576.23.

Singapore-based blue chips *and finance, shipyard and* hotel stocks were in demand, chalking up impressive gains.

KUALA LUMPUR roared forward across the board with *aggressive buying* by both individuals and institutions, particularly of blue chips, finance and property sector stocks.

The composite index closed at a record high, up 2.66 to 600.51. The previous record of 592.90 was set on January 11. Turnover also set a fresh record at 209m shares traded.

HONG KONG rebounded across the board in light trading as local bargain-hunters targetted oversold property *investment stocks.* Turnover slipped to HK$623m from Friday's HK$787m. The Hang Seng index put on 20.12 to 2,756.67.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 2 1990						THURSDAY FEBRUARY 1 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	150.57	+0.2	132.76	129.39	−0.3	5.21	150.24	132.39	129.81	160.41	128.28	150.78
Austria (19)	230.76	+4.2	203.46	202.30	+4.6	1.31	221.51	195.19	193.50	230.76	92.64	94.55
Belgium (61)	148.81	−0.3	131.21	129.55	+0.2	4.31	149.32	131.58	129.25	160.02	125.58	133.00
Canada (120)	140.04	+0.1	123.48	120.52	+0.3	3.31	139.91	123.28	120.15	154.17	124.67	136.52
Denmark (36)	251.58	+1.0	221.82	223.09	+1.3	1.42	249.15	219.55	220.26	251.58	165.35	155.25
Finland (26)	148.75	+0.2	131.15	123.78	+0.2	2.52	148.41	130.77	123.50	159.16	118.63	135.30
France (125)	151.36	+0.9	133.46	136.16	+1.4	2.77	150.03	132.20	134.32	157.97	112.57	118.60
West Germany (96)	132.69	+2.4	116.99	116.30	+2.7	1.82	129.63	114.23	113.22	132.69	79.58	84.28
Hong Kong (48)	112.24	+0.0	98.97	112.56	+0.0	5.07	112.26	98.92	112.57	140.33	88.41	129.37
Ireland (17)	197.20	−0.2	173.88	176.76	+0.3	2.36	197.56	174.08	176.29	198.57	125.00	135.56
Italy (96)	97.98	−0.4	86.39	91.62	−0.1	2.50	98.40	86.71	91.72	102.11	74.97	79.02
Japan (455)	185.66	−0.1	163.70	170.58	+0.2	0.48	185.85	163.77	170.17	200.11	164.22	192.11
Malaysia (36)	234.39	+1.8	206.66	243.56	+1.9	2.20	230.19	202.83	239.01	238.21	143.35	156.63
Mexico (13)	371.93	+3.6	327.94	1097.96	+3.6	0.47	359.04	316.38	1059.91	371.93	153.32	161.66
Netherland (43)	140.11	+0.5	123.54	121.57	+0.9	4.42	139.36	122.80	120.50	145.66	110.63	113.43
New Zealand (18)	70.98	+1.4	62.58	62.73	+1.1	5.62	69.99	61.67	62.04	88.18	62.64	73.96
Norway (24)	225.90	−0.6	199.18	199.53	−0.3	1.37	227.22	200.22	200.08	227.22	139.92	156.10
Singapore (26)	193.53	+2.0	170.64	166.47	+2.2	1.75	189.72	167.18	162.93	193.53	124.57	139.48
South Africa (60)	233.98	+5.4	206.30	169.07	+2.3	3.29	221.92	195.55	165.27	233.98	115.35	122.09
Spain (43)	156.00	+0.7	137.55	128.70	+0.9	4.11	154.94	136.53	127.59	169.75	143.14	145.28
Sweden (35)	198.89	+0.3	175.37	180.79	+0.5	1.89	198.30	174.74	179.80	206.95	138.45	150.09
Switzerland (62)	95.83	+1.8	84.49	88.88	+1.7	2.02	94.15	82.97	87.41	99.12	67.81	75.60
United Kingdom (306)	161.20	+0.3	142.13	142.13	+0.4	4.45	160.69	141.60	141.60	164.31	133.28	150.26
USA (542)	133.80	+0.7	117.97	133.80	+0.7	3.53	132.92	117.13	132.92	146.29	112.13	120.82
Europe (989)	*144.45*	*+0.8*	*127.36*	*127.36*	*+1.0*	3.36	143.29	126.26	126.08	146.66	112.63	118.97
Nordic (121)	196.78	+0.5	173.50	169.39	+0.7	1.68	195.87	172.60	168.17	198.12	137.95	143.73
Pacific Basin (667)	181.69	−0.1	160.20	166.85	+0.2	0.73	181.82	160.22	166.45	194.72	160.44	187.74
Euro – Pacific (1656)	167.00	+0.2	147.25	151.14	+0.5	1.65	166.61	146.81	150.38	174.18	141.56	160.23
North America (662)	134.08	+0.6	118.22	132.97	+0.6	3.52	133.24	117.41	132.12	146.66	112.79	121.68
Europe Ex. UK (683)	132.88	+1.1	117.16	118.18	+1.5	2.64	131.38	115.77	116.46	134.66	96.30	99.71
Pacific Ex. Japan (212)	*133.95*	*+0.4*	*118.11*	*120.16*	*+0.1*	4.77	133.37	117.52	119.99	140.05	111.93	135.21
World Ex. US (1849)	166.84	+0.3	147.10	150.56	+0.5	1.72	166.34	146.57	149.76	173.77	141.49	159.03
World Ex. UK (2085)	153.35	+0.4	135.21	145.19	+0.6	2.04	152.71	134.56	144.33	162.00	136.96	143.69
World Ex. So. Af. (2331)	153.54	+0.4	135.38	144.70	+0.6	2.26	152.98	134.80	143.89	161.84	136.67	144.40
World Ex. Japan (1936)	139.25	+0.8	122.78	131.67	+0.8	3.50	138.19	121.77	130.62	145.52	114.51	121.29
The World Index (2391)	*154.03*	*+0.4*	135.81	144.87	+0.6	2.27	153.40	135.17	144.04	162.05	138.68	144.28

Prices for Finland & Sweden were not fully updated following problems at the exchanges.
Latest prices were unavailable for this edition